

# Bangladesh **Business Environment 2023**

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Centre for Policy Dialogue (CPD)

# **Bangladesh Business Environment 2023**

## *Findings from the Executive Opinion Survey*

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## Abstract

This study conducted by the Centre for Policy Dialogue (CPD), in partnership with the World Economic Forum (WEF), examines the business environment in Bangladesh during 2022-23. CPD has been publishing this report since 2001 in light of WEF's Global Competitiveness Report (GCR). However, WEF announced to publish Future of Growth Report instead of GCR to assess the post-pandemic global landscape and the need to address critical issues like inclusiveness, sustainability, and resilience alongside traditional economic indicators of prosperity.

The study focuses on the country's performance in five key pillars: growth, innovativeness, inclusiveness, sustainability, and resilience. The report, based on insights from the Executive Opinion Survey 2023 and Rapid Assessment Survey 2023, provides a comprehensive analysis of the factors hindering progress in five key areas: institutions, human empowerment, physical resources, finance, and research & technology, and suggests areas where strategic interventions can unlock transformative potential in Bangladesh's economy.

According to the report, Bangladesh's performance in terms of innovativeness, inclusiveness, sustainability, and resilience lags behind comparable countries in Asia and South Asia. Around 68 per cent of respondents identified corruption as the top problematic factor for businesses in Bangladesh, followed by inefficient government bureaucracy and foreign currency instability. As a result, companies are also facing issues regarding LC opening and import payments. Energy supply shortage and inflation are perceived to be the major risks for the economy in the next couple of years. The financial sector has not been able to build confidence regarding the country's macroeconomic stability. Although the government has set ambitious goals for sustainability, progress is needed in implementation.

Over the last six years, Bangladesh has experienced improvement in its physical resources infrastructure although its utilisation remains a challenge. Human empowerment has also substantially improved over the last six years, but the scarcity of key skills in the labour market remains a concern. The perception of the indicators of research and technology, institutions and the financial sector has been stagnant and negative.

The report suggests recommendations to improve Bangladesh's business landscape, including addressing corruption, streamlining bureaucracy, ensuring macroeconomic stability, investing in infrastructure, and promoting innovation and inclusiveness. Customised policies, plans, laws, and rules based on the size of the businesses are required to effectively address the challenges faced by different categories of businesses in Bangladesh. The importance of improving the performance of public institutions and promoting better practices for environmental sustainability, innovation, and resilience was also highlighted in the report.



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## Acronyms

AI	Artificial Intelligence
BIN	Business Identification Number
CSE	Chittagong Stock Exchange
CSO	Civil Society Organisation
DSE	Dhaka Stock Exchange
EOS	Executive Opinion Survey
IMF	International Monetary Fund
IPO	Initial Public Offering
LGBTI	Lesbian, Gay, Bisexual, Transgender and Intersex
MFS	Mobile Financial Services
MSME	Micro, Small and Medium Enterprises
NBR	National Board of Revenue
R&D	Research and Development
RAS	Rapid Assessment Survey
SEC	Securities and Exchange Commission
SME	Small and Medium Enterprises
TIN	Taxpayer Identification Number



## A. Introduction and Overall Business Scenario in Bangladesh

### 1. Background and Objectives

The business environment in Bangladesh has passed an uncertain time during the post-covid period. While official data and information postulate the challenges from a broader macro perspective, the details of the challenges are reflected in the perception of the businessmen regarding various business-related issues. Hence, a regular assessment of the business environment taking into account the perception of the businessmen and entrepreneurs of different sectors helps the key stakeholders including policymakers, bureaucrats, development partners, trade bodies, entrepreneurs, Civil Society Organisations (CSOs) and workers to take necessary measures. A yearly assessment of the business environment of Bangladesh has been carried out by the Centre for Policy Dialogue (CPD) since 2001 as part of a global initiative led by the World Economic Forum (WEF).

To assess the business environment, the CPD has carried out an 'Executive Opinion Survey (EOS)' from May to July 2023 in partnership with the World Economic Forum (WEF). The objective of the survey was to appreciate the perception of entrepreneurs/businessmen on the state of the business environment and factors and institutions responsible for long-term growth, resilience, inclusiveness and innovativeness especially during the post-pandemic period. The assessment of Bangladesh's business landscape has been carried out along with 112 economies covering 11,000 respondents. Based on the data collected worldwide, the WEF publishes a comprehensive report. Instead of the report which is traditionally called 'Global Competitiveness Report', the report in 2023 is titled 'Future of Growth Report 2024'. In Bangladesh, the CPD has been publishing the study findings under the title 'Bangladesh Business Environment Study' and it did the same in 2023.

The objectives of the study are threefold:

- a) To report the state of the business environment of Bangladesh during 2022-23;
- b) To assess the future of Bangladesh's economic growth by identifying the potential risk factors;  
and
- c) To put forward suggestions for improvement in the business environment from a long-term sustainability point of view.

### 2. Analytical Frame of the Study

The business environment worldwide has experienced major adversity due to covid-19 pandemic and the Ukraine-Russia war and the majority of the economies are striving to mitigate risks and return to economic recovery. Moreover, a number of major economies worldwide are imposing different types of trade, business and financial restrictions against each other. Hence the countries are facing the weakest growth in decades during the post-pandemic era. Therefore, the traditional concept of competitiveness in businesses within and between countries is largely absent. In this situation, balancing prosperity with other goals and values is key. The World Economic Forum has put the focus on growth, resilience, inclusiveness, etc. as part of appreciating the economies' level of recovery. Hence the WEF has introduced the concept of 'Future of Growth' to understand the business environment of the economies worldwide.

The Future of Growth framework is a tool to support policymakers in assessing the character and nature of a country's economic growth and balancing innovation, inclusion, sustainability and resilience goals. The new framework focuses on five pillars: (a) Growth; (b) Innovativeness; (c)

Inclusiveness; (d) Sustainability; and (e) Resilience.<sup>1</sup> The framework is designed as a tool that countries might use to find potential areas to improve, trade-offs to resolve or synergies to exploit. These five pillars indicate the following:

- i. **Growth:** It indicates the country's economic performance in different sectors within a particular period.
- ii. **Innovativeness:** It indicates the extent to which an economy's trajectory can absorb, and evolve in response to new technological, social, institutional, and organisational developments.
- iii. **Inclusiveness:** It indicates the extent to which an economy's trajectory includes all stakeholders in the benefits and opportunities it creates.
- iv. **Sustainability:** It indicates the extent to which an economy's trajectory can keep its ecological footprint within environmental boundaries.
- v. **Resilience:** It indicates the extent to which an economy's trajectory can withstand and bounce back from shocks.

### Relationship between the Pillars and Drivers

The performance in different pillars of an economy depends on the performance of different 'drivers' within a specified period. Five drivers contribute to the performance of different pillars. These include- (a) human empowerment; (b) physical resources; (c) finance; (d) research and technology; and (e) institutions. Table 1 presents the interrelationship between pillars and drivers.

**Relationship between innovativeness and different drivers:** The Human Empowerment Ecosystem focuses on issues such as talent availability, particularly in the digital and technology fields. The Physical Resources Ecosystem examines the innovation in the provision of basic goods and services. The Financial Ecosystem looks at indicators related to access to long-term and venture finance. The Research and Technology Ecosystem assesses innovativeness based on criteria like business culture, competition, and cluster development. The Institutional Ecosystem considers indicators like human capital in the public sector, policy vision, and stability.

**Relationship between inclusiveness and different drivers:** The Human Empowerment Ecosystem focuses on inclusion in the workforce and social mobility. The Physical Resources Ecosystem addresses topics like access to transport and housing. The Financial Ecosystem is characterised by access to financial services. The Research and Technology Ecosystem considers indicators like inclusion in positions of leadership. The Institutional Ecosystem looks at equal opportunities in the public and private sectors.

**Relationship between sustainability and different drivers:** The Human Empowerment Ecosystem encompasses indicators such as talent for green and energy transition, as well as buyer sophistication on the environment and nature. The Physical Resources Ecosystem examines issues like biodiversity intactness. The Financial Ecosystem is linked to the provision of green finance. The Institutional Ecosystem is likely to evaluate environmental reporting.

**Relationship between resilience and different drivers:** The Human Empowerment Ecosystem entails filling vacancies by hiring foreign labour, and investment in reskilling. The Physical Resources Ecosystem focuses on the quality of infrastructure. The Financial Ecosystem assesses indicators of

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<sup>1</sup> Prior to this, under the conceptual framework of global competitiveness a total of 11 pillars were considered. These include- (a) Infrastructure, (b) Safety and security, (c) Financial system, (d) Trade and investment, (e) Competition, (f) Business operations, governance & innovation, (g) Institutions, (h) Building human capital, (i) Working & employment, and (j) Managing economic recovery & risks.

financial system resilience. The Institutional Ecosystem considers issues related to government adaptation.

**Table 1: The Full Framework**

	Drivers	Pillar A	Pillar B	Pillar C	Pillar D
		Innovativeness	Inclusiveness	Sustainability	Resilience
Driver 1	Human Empowerment	Workforce health, skills and incentives	Access to health and social services; income inequality	Green employment and consumption	Age ratios, health-system capacity, etc.
Driver 2	Physical Resources	Physical and natural capital, food and water	Access to and affordability of physical resources	Emissions, biodiversity loss, etc.	Food, water, and energy import dependency/diversification
Driver 3	Finance	Banking and markets	Access to finance; wealth inequality	Green finance and investment	Financial and macroeconomic stability
Driver 4	Research & Technology	Research, innovation and ICT capital	Distribution and access to technology and research	Green patents, research, and technology	Cybersecurity; tech supply diversification
Driver 5	Institutions	Public sector effectiveness, transparency and dynamism	Political participation and civil rights	Environmental regulation, treaties, subsidies	Political legitimacy, government adaptability to crises

**Source:** Excerpts from the World Economic Forum (2023).

### 3. Methodology of the Study

The study has been conducted based on the primary data collected through an executive opinion survey. The questionnaire of the survey is prepared by the WEF which is used across all the member countries. A common set of thematic issues is covered in the survey every year; however, topics sometimes vary considering the level of importance in the global context. The Executive Opinion Survey (EOS) 2023 addresses various issues related to the following pillars: (a) Infrastructure and tourism; (b) Dynamism and capacity of the private sector; (c) Dynamism and capacity of the public sector; (d) Enabling environment; (e) Talent and employment; (f) Innovation ecosystem; (g) Managing risks, and (h) Industrial policy. Along with the EOS, a Rapid Assessment Survey (RAS) was conducted, highlighting domestic issues concerning domestic macroeconomic, fiscal and financial issues. The survey was conducted between May to July 2023 where a total of 71 entrepreneurs, and senior officials of various private companies from Dhaka, Gazipur, and Savar participated. The majority of the respondents responded online.

The EOS and the RAS utilise qualitative data employing a 7-point Likert scale, encompassing the perception of ‘very poor’ to ‘highly remarkable’. Those perceptions have been categorised into three broad categories – (a) Negative responses (scale: -3~-1); (b) Indifferent responses (Scale: 0); (c) Positive responses (Scale: 1~3). The analysis has been conducted using three distinct statistical techniques: (a) Frequency analysis (% of respondents) and (b) Weighted index (average weighted response).

The report is broadly categorised into two parts. Part A highlights the key features of Bangladesh’s business environment during 2023, in which Bangladesh’s performance in the context of South Asia and Asia is discussed. Besides, this part highlights the most problematic factors in doing business in the country. Part B, on the other part, elaborates on the performance of the Bangladesh economy on different issues with regard to the four pillars - (a) Innovativeness; (b) Inclusiveness; (c) Sustainability; and (d) Resilience.

## 4. Key Features of Bangladesh Business Environment 2023

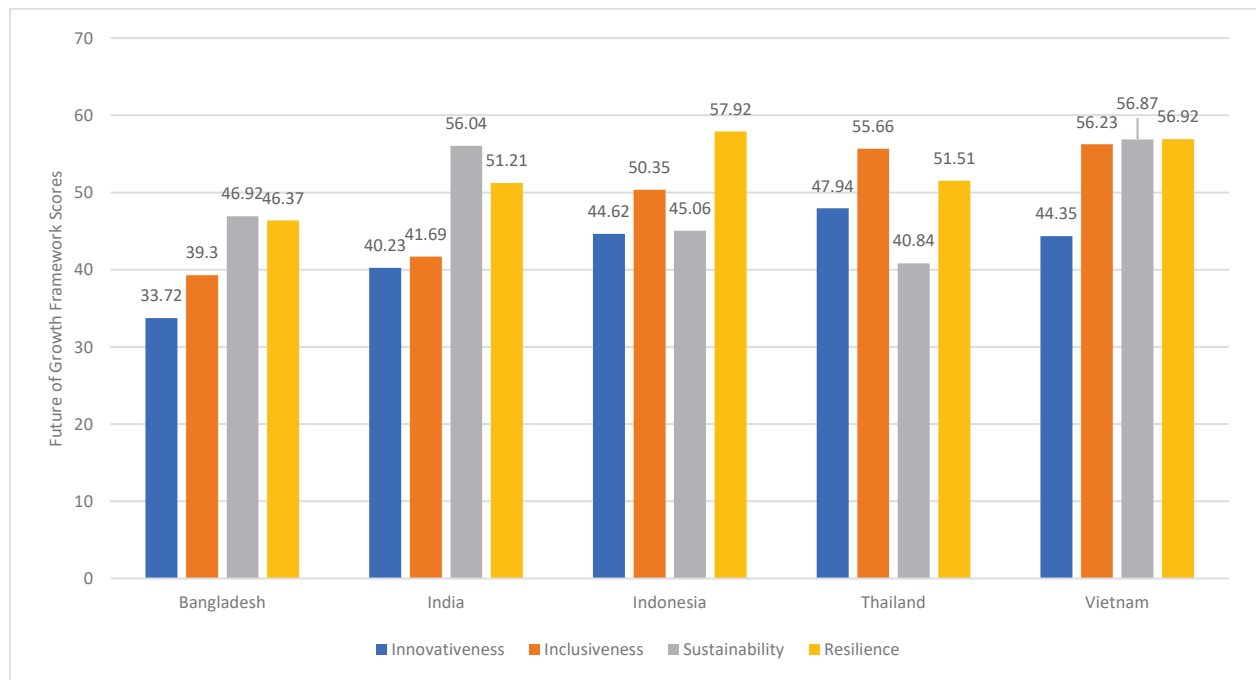
### 4.1 Bangladesh’s Performance in the International Context

According to the country-specific scores published by the Future of Growth Report 2023, Bangladesh performed comparatively lower than the selected comparable countries in Asia (Figure 1). Bangladesh in comparison with the four other countries—India, Indonesia, Thailand, and Vietnam—scored the lowest in the case of innovativeness, inclusiveness, and resilience. Bangladesh is ahead of Indonesia and Thailand only in terms of sustainability. The Government of Bangladesh has set ambitious goals to build a sustainable economy. It set the target of achieving 40 per cent of total energy generation from renewable sources by 2041, with interim targets of 10 per cent by 2030 and 20 per cent by 2040. Bangladesh Delta Plan 2100 focuses on balancing water and food security, economic growth, and environmental sustainability while reducing vulnerability to climate change and natural disasters.

Among the five economies, Thailand scored the highest in ‘Innovativeness’ and second highest in ‘Inclusiveness’. The Thai government has been actively implementing strategies for innovativeness such as Thailand 4.0 scheme, One Family One Soft Power (OFOS) Policy, and Higher Education, Science, Research, and Innovation Policy (2020-2027) to foster start-up growth, adoption of digital technology, highly skilled workforce, and regional collaboration. To promote inclusiveness, Thailand has policies

in place to promote inclusiveness for LGBTI individuals, and migrant workers, and accessibility to public facilities for people with disabilities.

**Figure 1: Bangladesh’s Performance in the International Context**



Source: Future of Growth Report 2023.

Vietnam has achieved the highest score in terms of ‘Inclusiveness’. Notable policies implemented by Vietnam include the Inclusive and Sustainable Recovery Development Policy Operation, as well as the National Target Program for Socio-Economic Development in Ethnic Minority and Mountain Areas (2021-2030).

On the other hand, India has shown commendable performance in terms of ‘Sustainability’. India has set an ambitious target of achieving net zero emissions by 2070 and aims to reduce its carbon intensity by 45 per cent by 2030. Additionally, India has implemented various policies to enhance resilience in sectors such as Micro, Small and Medium Enterprises (MSMEs), healthcare infrastructure, sanitation, digital literacy, and space technology.

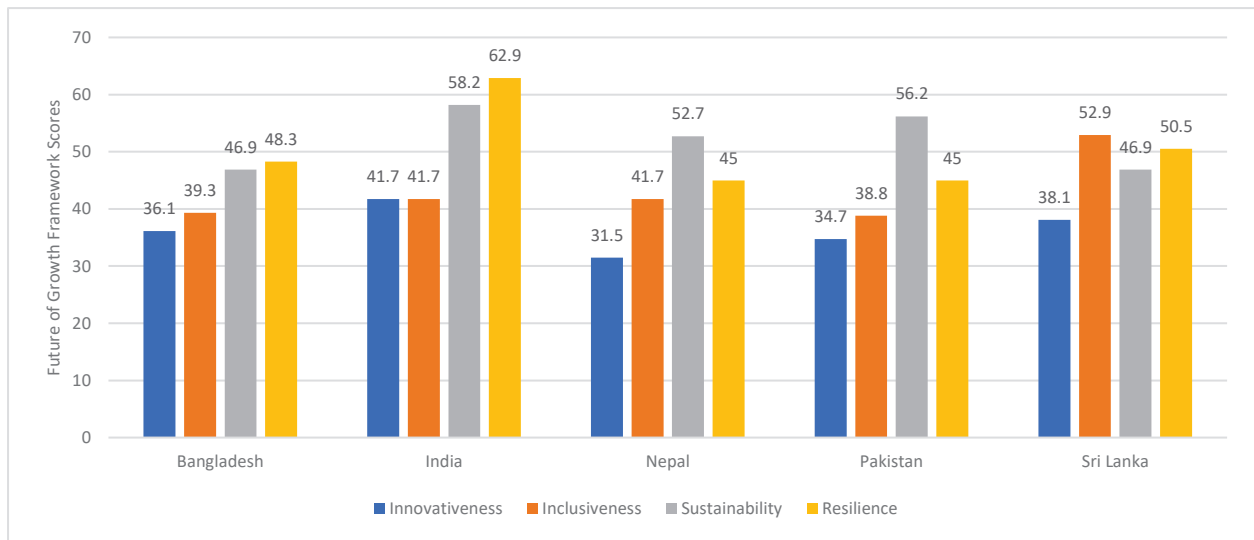
### Bangladesh’s Performance in South Asia

Bangladesh scored the lowest on average among the South Asian countries – India, Nepal, Pakistan, and Sri Lanka (Figure 2). Bangladesh ranked third in the case of ‘Innovativeness’, and ‘Resilience’, trailing behind India and Sri Lanka. Additionally, Bangladesh ranked the lowest in ‘Sustainability’ within the region. In terms of ‘Inclusiveness’, Bangladesh ranked higher than only Pakistan.

India, on the other hand, has topped the list in three pillars – innovativeness, sustainability, and resilience. This success can be attributed to various government initiatives such as Startup India, National Solar Mission and Green Hydrogen Mission, as well as social safety nets like Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MNREGA) and Aadhaar.



**Figure 2: Bangladesh's Performance in South Asia**



**Source:** Future of Growth Report 2023.

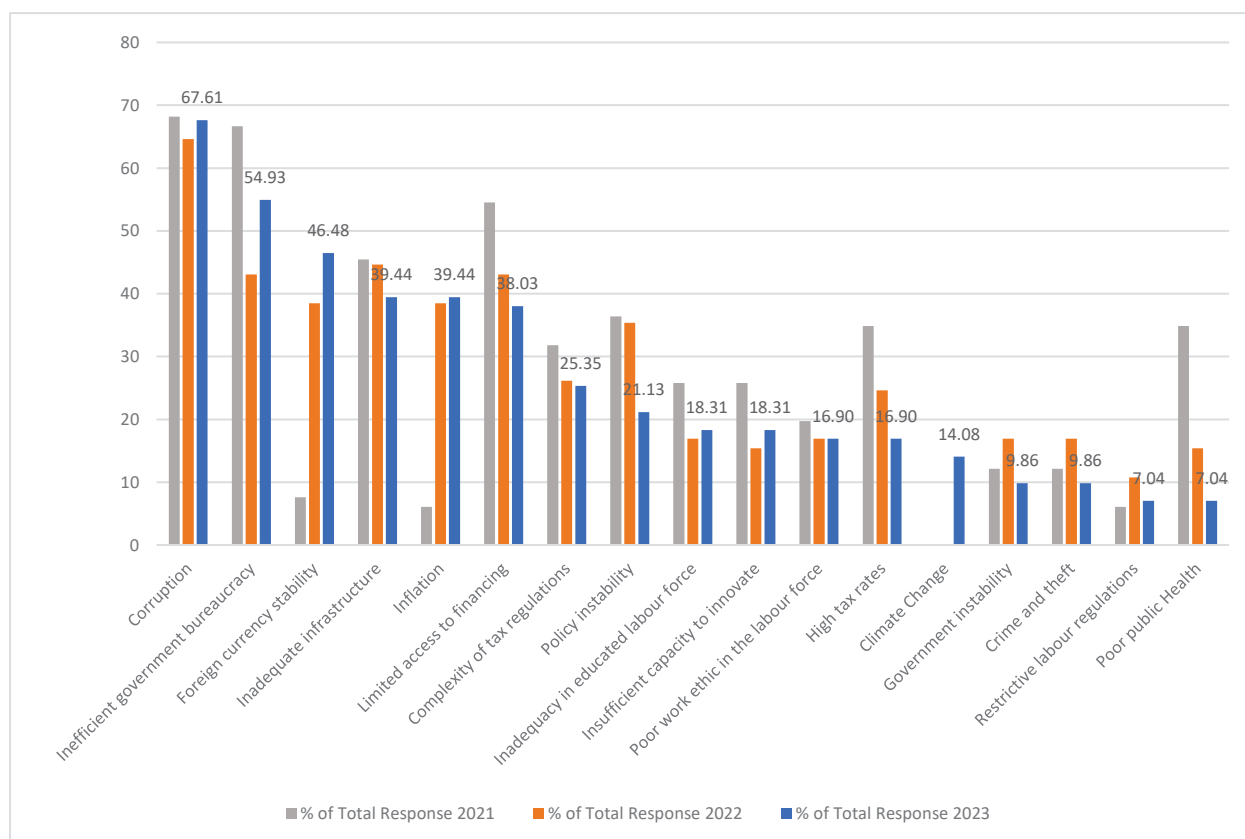
Nepal has the highest score in 'Inclusiveness', closely followed by India. Nepal has implemented inclusiveness policies such as the Gender Equality and Social Inclusion (GESI) Strategy 2021-2023, which ensures 40 per cent of elected representatives at the local level are women, with 20 per cent being Dalit women, and School Education Sector Plan 2022-2030 for inclusive education, particularly for vulnerable groups.

On the contrary, despite taking promising initiatives such as Smart Bangladesh Vision 2041 and Delta Plan 2100, Bangladesh has struggled to generate confidence among investors for new business initiatives.

#### **4.2 Most Problematic Factors for Doing Business in Bangladesh**

Challenges in conducting business in Bangladesh have been continuously evolving. The year 2023 has witnessed significant changes in the top problematic factors affecting business operations, both horizontally (across all business categories) and vertically (under different business segments). These changes are attributed to the dynamic shifts in the domestic and international business environment. The businessmen have shared their views regarding 15 different key business concerning issues. Figure 3 compares businessmen's perceptions regarding the most problematic factors in doing business in Bangladesh.

**Figure 3: Most Problematic Factors for Doing Business in 2023 Compared to Previous Years**



**Source:** CPD RAS 2023.

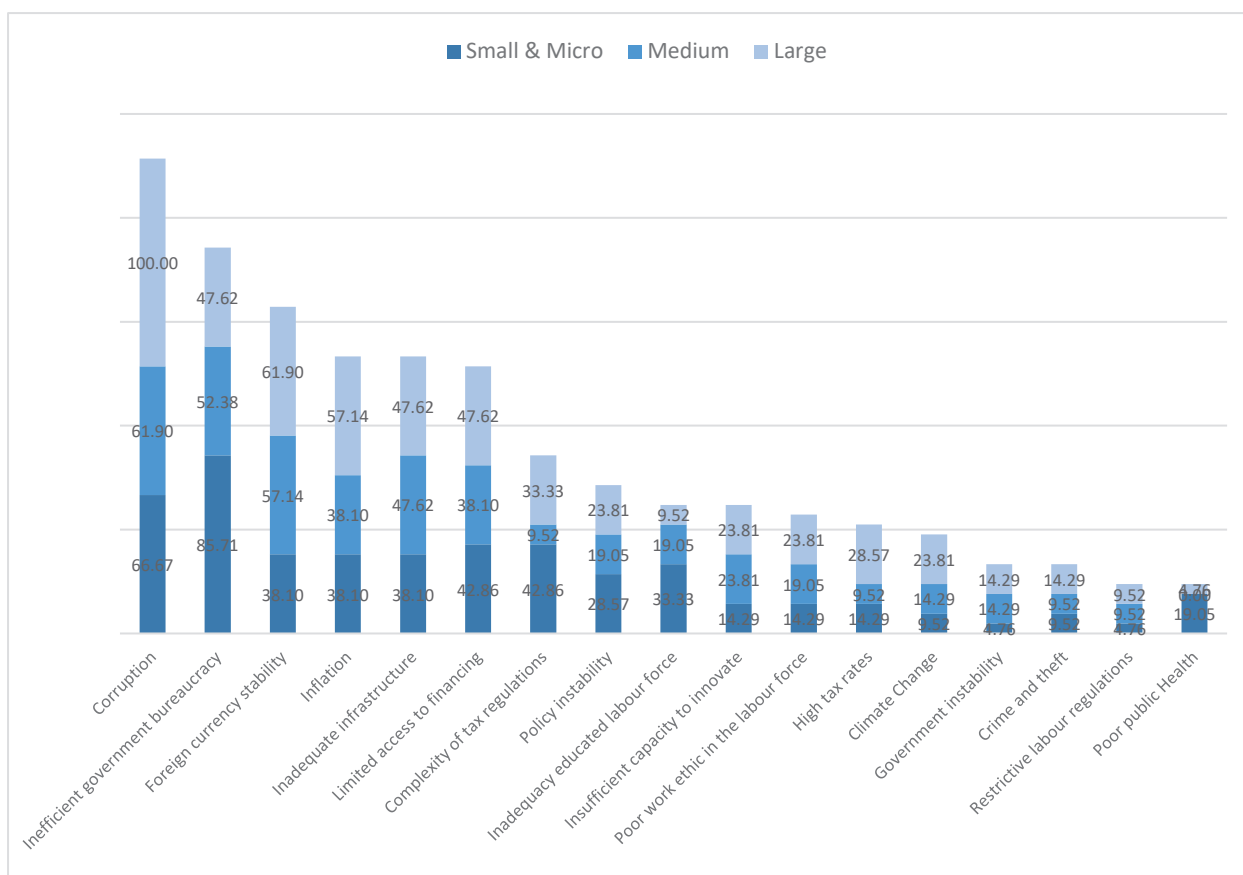
**Note:** Future of Growth Report 2023.

Corruption remains the top problematic factor for businesses in Bangladesh in 2023, as it has been in previous years. A staggering 67.6 per cent of respondents complained about a high level of corruption as the major problematic factor. Limited effective measures to curb corruption as well as lack of transparency and accountability in the business process carried out by the public agencies such as licensing, logistics and service-providing activities weaken the business environment. After corruption, inefficient government bureaucracy (54.9 per cent of respondents) and foreign currency instability (46.5 per cent) topped the list of most problematic factors.

The severity of these three problematic factors has increased compared to the previous years (Figure 4). Before 2022, foreign currency instability ranked among the bottom three, but it has jumped to the top five in the last two years. Inflation (39.4 per cent in 2023) has been ranked as the fifth most important factor for the last two years, whereas it was in the bottom three in the previous years. Foreign currency instability has risen from being among the ‘bottom three’ to the ‘top five’ in the last two years.

On a positive note, inadequate infrastructure, which was previously one of the top three concerns, has slightly improved in terms of the perception of the businessmen, now ranking fourth. This improvement is partly attributed to public investment in the development and expansion of national and regional highways, as well as the construction of new infrastructure such as elevated expressways, metro-rail, tunnels, airports, and port facilities, which have contributed to smoothing business activities.

**Figure 4: Most Problematic Factors for Doing Business in 2023 (Size-wise)**



Source: CPD RAS 2023.

The level of severity of problems varied across different categories of businesses in Bangladesh. By and large, corruption is a significant issue, affecting all categories of businesses, with 100 per cent of large companies, 66.67 per cent of medium enterprises, and 61.9 per cent of small and micro enterprises considering it the most problematic factor. Large enterprises also face higher levels of challenges related to foreign currency instability, inflation, limited access to financing, inadequate infrastructure, inefficient government bureaucracy, and complex tax regulations. Medium enterprises encounter issues more related to foreign currency instability, inefficient government bureaucracy, inflation, inadequate infrastructure, and limited access to financing. Small and micro enterprises grapple with inefficient government bureaucracy, limited access to financing, complex tax regulations, foreign currency instability, and inflation. Hence, policies, plans, laws, and rules need to be customised based on the size of the businesses to effectively address these challenges.

#### 4.3 Top Risks in the Economy for the Next Two Years

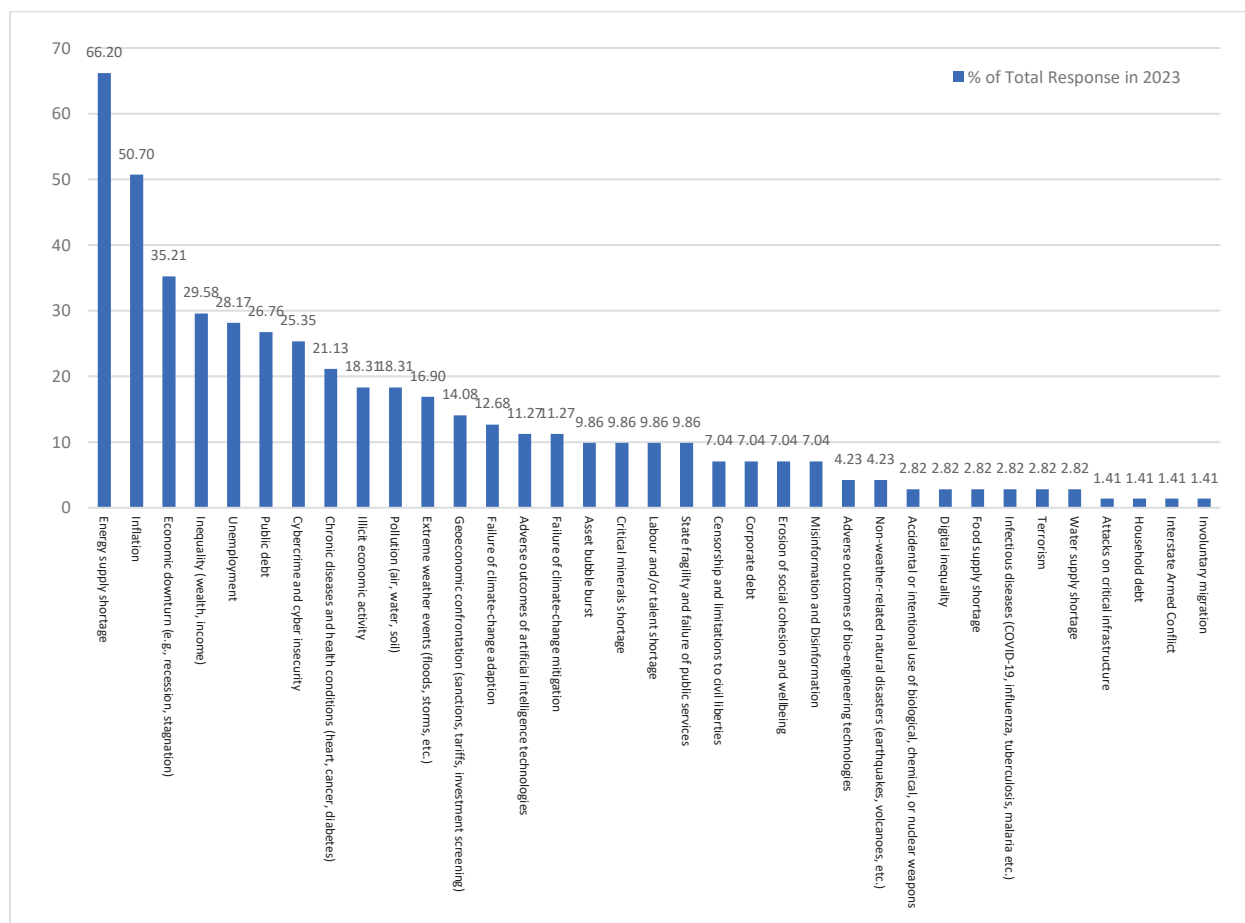
The study has identified a set of risks for the economy and society which could impact in next two years. These risks are categorised into five groups: (a) economic risks; (b) societal risks; (c) technological risks; (d) environmental risks; and (e) geopolitical risks. Figure 5 presents the perception of the businessmen in case of the level of risks perceived for the next two years.

The majority of the businessmen perceived that shortages of energy supply would cause the highest risk in Bangladesh for the next two years. About 66.2 per cent of the business owners have anticipated that Bangladesh will face a crisis of energy supply in the next two years, which will highly disrupt their production. Inflation threatens to be the second highest risk for businesses with half of the

respondents agreeing to that, followed by an economic downturn such as recession and stagnation. The scenario of wealth and income inequality as well as unemployment is also at stake. Other major risks include public debt, cybercrime and cyber insecurity, chronic diseases and health conditions, illicit economic activity, pollution, extreme weather events, and so on.

A disaggregated analysis of different types of risks is presented below in Figure 6. These include- (a) economic risks; (b) social risks; (c) technological risks; (d) environmental risks; and (d) geopolitical risks.

**Figure 5: Top Risks in the Economy for the Next Two Years**



Source: CPD EOS 2023.

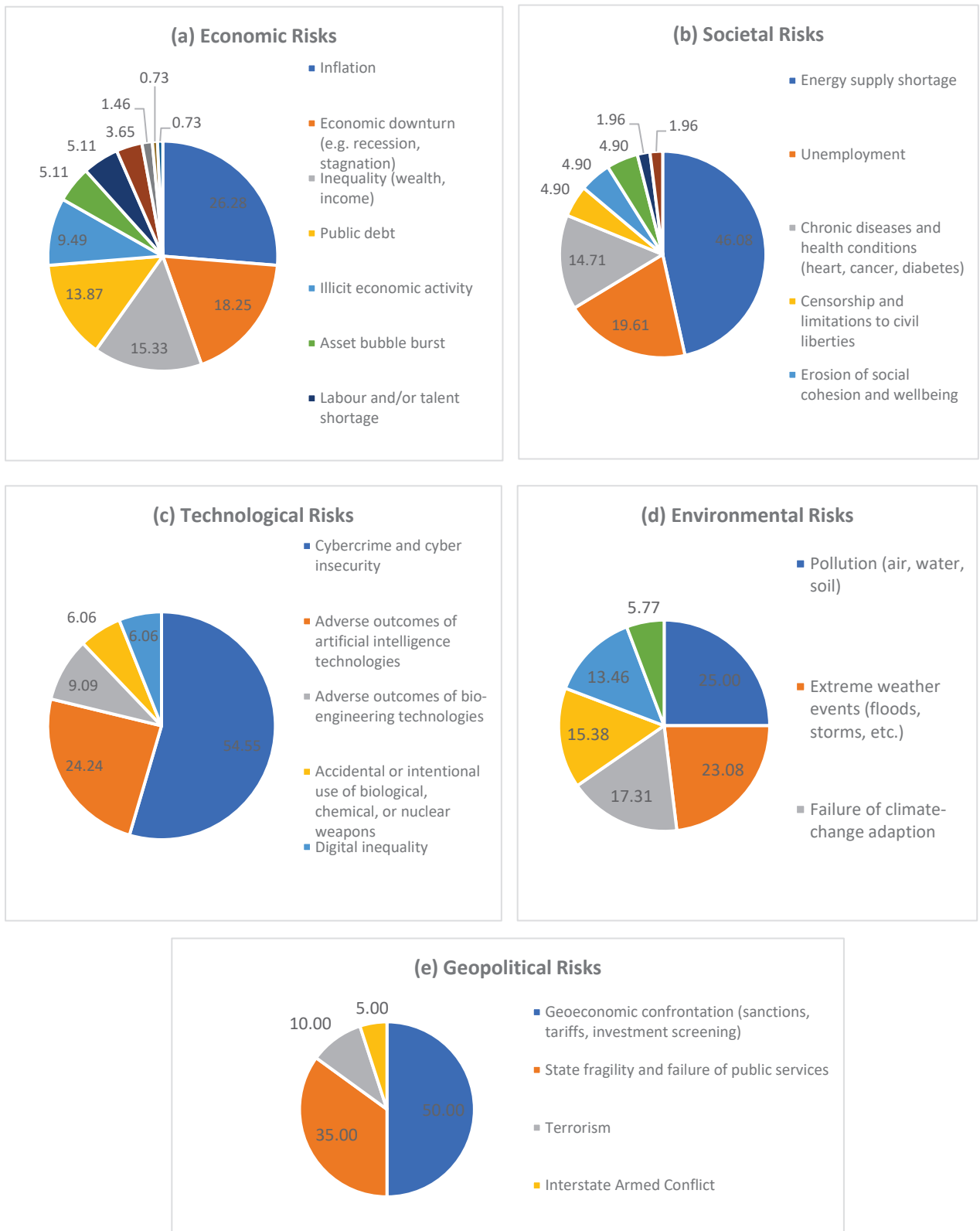
### Economic Risks

The top three economic risks for Bangladesh in the upcoming years include inflation (26 per cent), economic downturn such as recession, stagnation (18 per cent), and inequality (wealth, income) (15 per cent). Other economic risks include public debt, illicit economic activity, asset bubble burst, labour and/or talent shortage, corporate debt, and water supply shortage. The economic prospect of the immediate future is highly uncertain.

### Social Risks

The top social risks for the upcoming years are energy supply shortage (46 per cent), unemployment (20 per cent), and chronic health diseases and health conditions such as heart, cancer, and diabetes (15 per cent). Weak public investment in the health sector will be a growing concern. Censorship and limitations of civil liberty (4.9 per cent) indicate a further squeezing of space for human rights, voice, and accountability.

**Figure 6: Top Risks in the Economy for the Next Two Years: (a) Economic Risks, (b) Societal Risks, (c) Technological Risks, (d) Environmental Risks, and (e) Geopolitical Risks**



Source: CPD EOS 2023.

### **Technological Risks**

The top technological risks for Bangladesh for the upcoming years are cybercrime and cyber insecurity (55 per cent) and adverse outcomes of artificial intelligence technologies (24 per cent). There is a major threat through online-based media, information, and technologies with little possibility to improve required safeguard measures.

### **Environmental Risks**

The top environmental risks for Bangladesh are pollution (air, water, soil) (25 per cent) and extreme weather events (floods, storms, etc.) (23 per cent). Both man-made and natural disasters would threaten further and little possibility of taking legal, operational and institutional measures to address those challenges.

### **Geopolitical Risks**

The top geopolitical risk is geo-economic confrontation, particularly for sanctions, tariffs, and investment screening (50 per cent). State fragility and failure of public services (35 per cent) is another concern mentioned by the businessmen.

## **B. Bangladesh's Performance under Different Drivers: Detailed Analysis**

### **5. Driver 1: 'Institutions'**

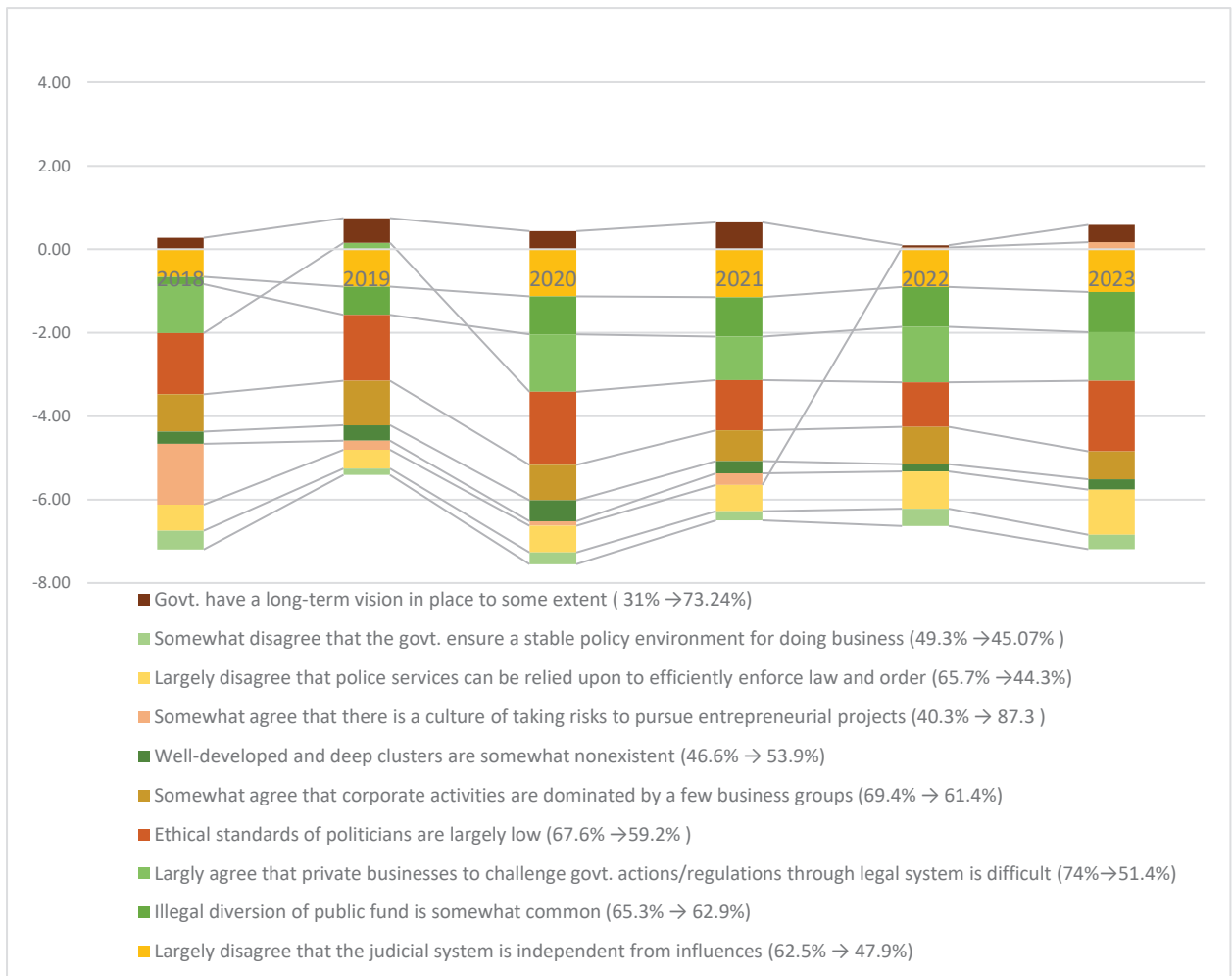
Institutions impact different pillars of the economy differently. Its impact on the pillar of 'innovativeness' is observed through the effectiveness of the public sector as well as through its transparency and dynamism. The pillar 'inclusiveness' experiences impact through political participation and civil rights while the pillar 'sustainability' observes impact through environmental regulation, treaties, and subsidies for promoting environmental development. The pillar of 'resilience' is being impacted through political legitimacy and government adaptability to crises.

#### **5.1 Performance of 'Institutions' during the Last Six Years (2018-2023)**

Based on the data of 16 different indicators related to institutions concerning the four pillars a trend analysis has been carried out for a period of six years (2018-2023) (Figure 7). Most of the key indicators showed negative and somewhat stagnant progress during the six years. The indicators include stability of the policy environment, reliance on police service, development of well-developed clusters, domination of corporate activities by few business groups, ethical standards of politicians, illegal diversion of public funds, and independence of the judicial system. However, the long-term vision of the government has shown some positive results over the past six years. On a positive note, the culture of risk-taking in entrepreneurial projects has evolved on the positive side.

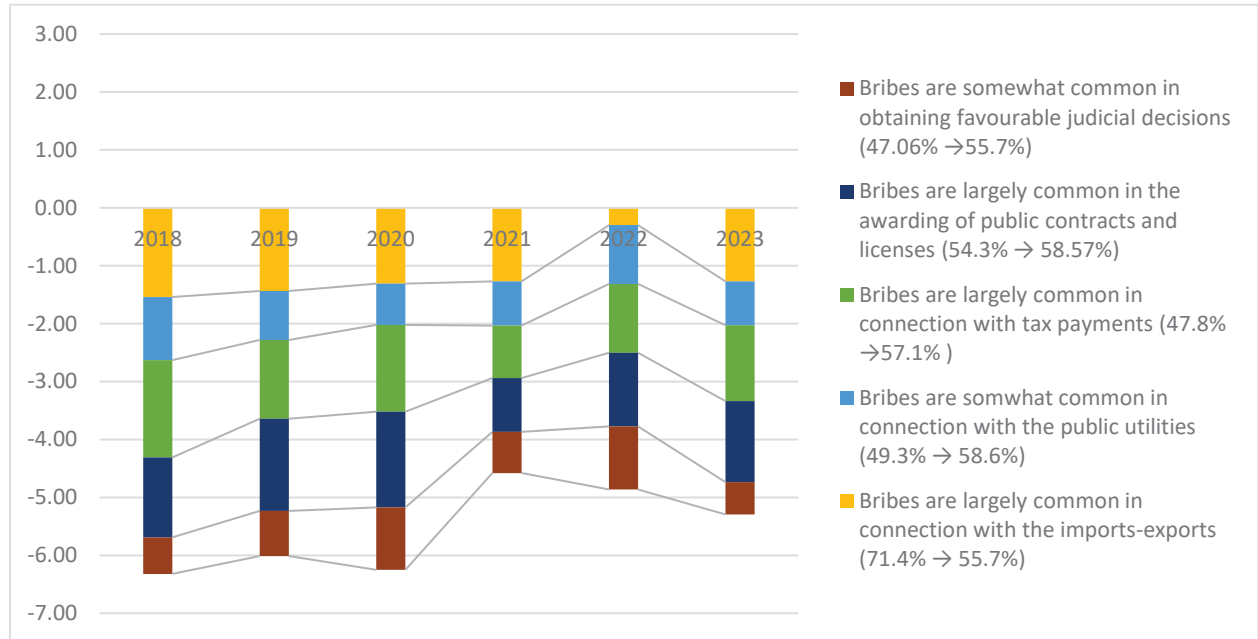
The situation of undertaking bribes has been negative over the past six years (Figure 8). However, there seems to be a slight improvement in the past three years, although the culture of undocumented extra payments remains prevalent. This includes cases of bribes in awarding public contracts, tax payments, public utilities, export-import and judicial decisions.

**Figure 7: Performance of Key Indicators of Institutions in the Last Six Years (2018-2023)**



Source: CPD EOS 2023.

**Figure 8: Performance of Key Indicators of Institutions (Bribes) in the Last Six Years (2018-2023)**



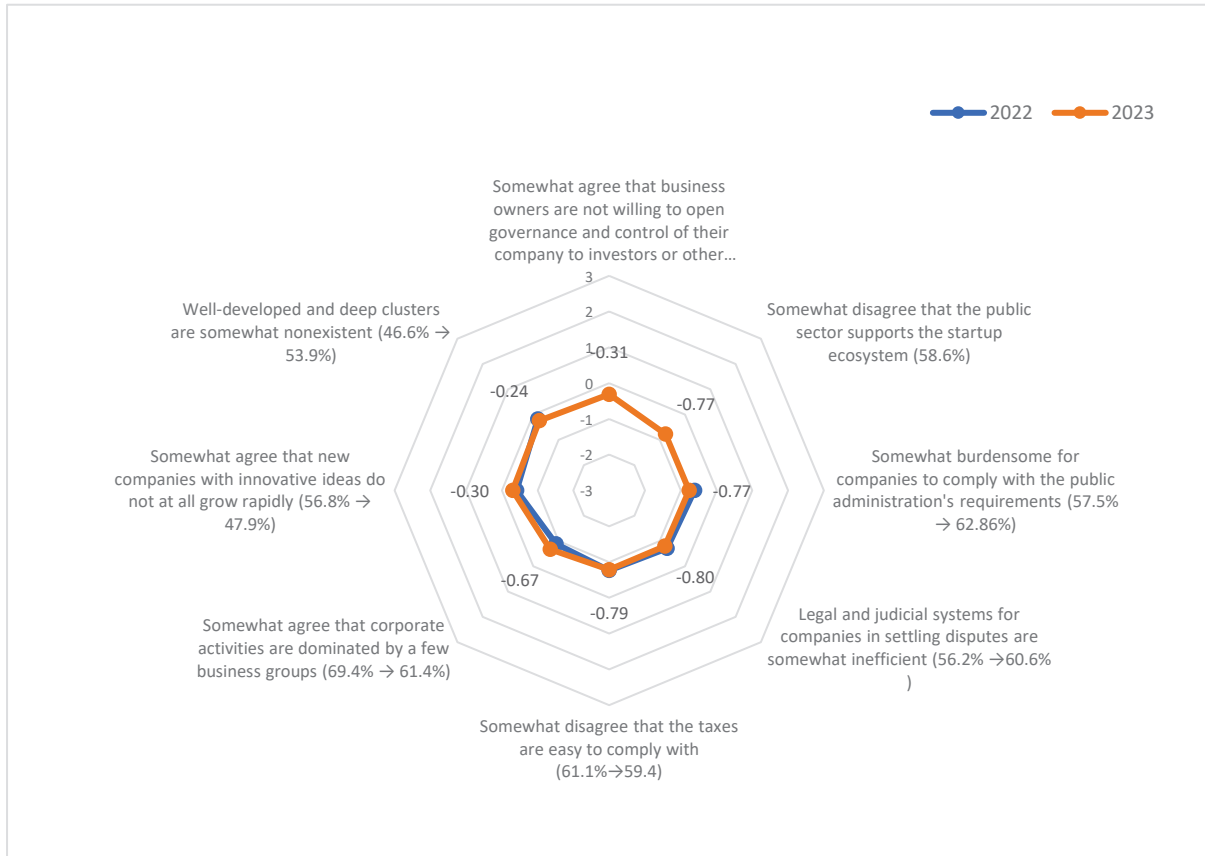
Source: CPD EOS 2023.

## 5.2 Institutional Development for Ensuring ‘Innovativeness’

The values of the institution-related indicators related to innovativeness have shown negative trends and stagnant behaviour this year, which is concerning. The indicators related to the public sector have not shown considerable improvement for business executives this year. Figure 9 presents the performance of different institutional-related indicators during 2022 and 2023. No major change in the performance of institutional-related indicators concerning prosperity is discerned between 2022 and 2023.



**Figure 9: Institutional Development for Ensuring ‘Innovativeness’**



Source: CPD EOS 2023.

Companies found it somewhat burdensome to comply with public administration's requirements (-0.77; 62.9 per cent) perhaps due to the lack of development in online-based public service delivery mechanisms. It seems that the public offices are yet to come out from the requirement of a large number of documentary evidence. A substantial improvement is required in online-based public service delivery mechanisms without which innovativeness of the private sector would be marginal.

The majority of respondents (59.4 per cent) indicated that taxes are still not easy to comply with (-0.79) despite some initiatives. The National Board of Revenue (NBR) is yet to develop an online-based tax payment system that covers taxpayers across the country. A substantive effort is required in order to improve the online-based tax payment system.

The public sector does not support the start-up ecosystem (58.6 per cent), raising questions about the effectiveness of start-up financing. Most businesses (60 per cent) perceived the legal and judicial systems in settling disputes to be somewhat inefficient (-0.8), leading to increased business costs and reduced business competitiveness.

There has been no significant progress seen in the performance of the private sector. The corporate activities continued to be dominated by a few business groups (61.4 per cent; -0.67), though a marginal improvement is discerned during 2023. This can be attributed to the lack of effective functioning of the Competition Commission, the Securities and Exchange Commission (SEC) as well as the Ministries of Commerce (MoC). Without proper enforcement of laws and rules related to the ‘dominant market player’, the scope for competition and therefore innovativeness has deteriorated.

Well-developed and deep clusters are somewhat non-existent (-0.24; 53.9 per cent) which somewhat causes an adverse impact on the development of SMEs. It is to be noted that the SME foundation has identified a total of 150 SME clusters across the country although those are found to have limited impact on SME development. Due to the lack of planned initiatives for cluster development from the Ministries of Commerce, Industry, Agriculture and Livestock & Fisheries such deep clusters have yet to develop.

Lack of transparency and accountability of business enterprises is a major concern. About 50.7 per cent of the businessmen somewhat agreed that business owners are unwilling to open governance and control of their company to investors or other companies to pursue growth opportunities.

About 47.9 per cent of businesses indicated that companies with innovative ideas tend to face challenges in rapid growth (-0.3; 47.9 per cent). These challenges stem from the bottlenecks in logistics, operational, and human resource-related issues.

Overall, significant progress is required in different public institutions in order to facilitate the development of the private sectors including SMEs, start-ups and other businesses.

### **5.3 Institutional Development for Ensuring 'Inclusiveness'**

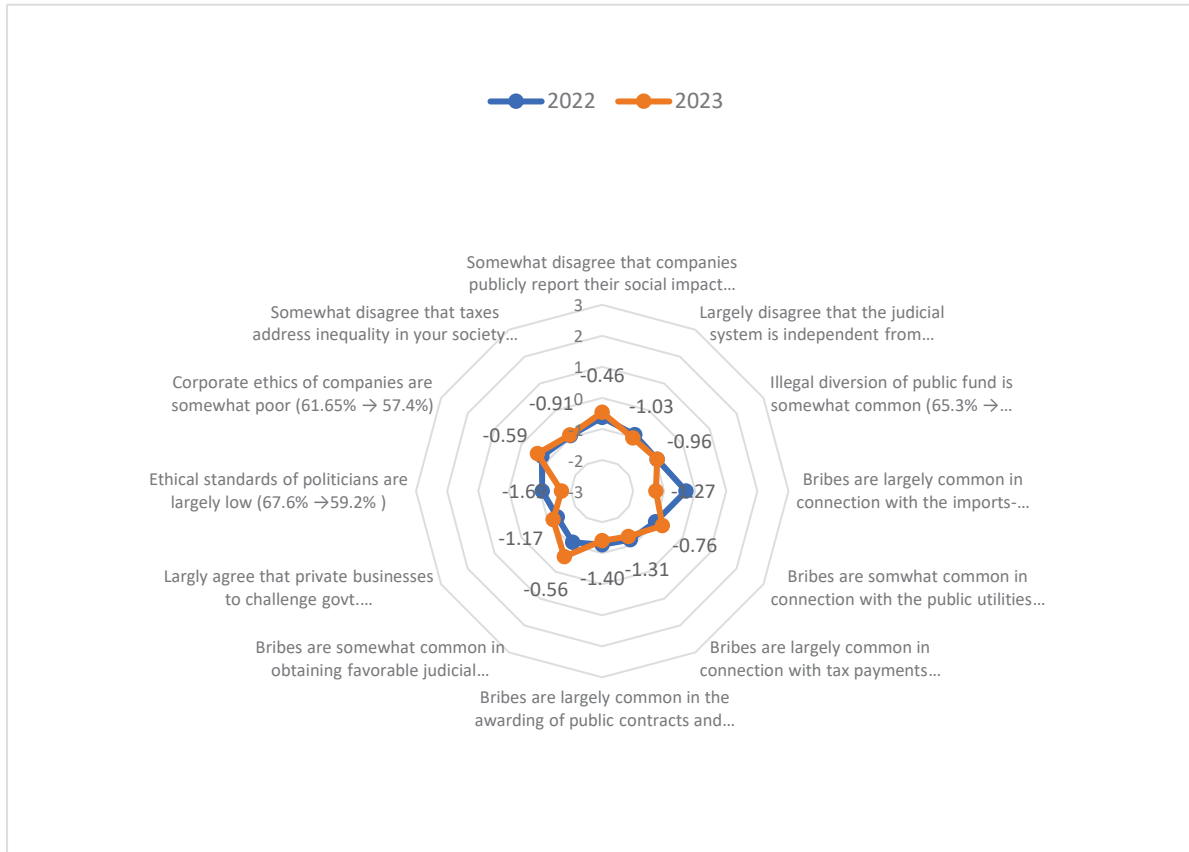
On average, the public institutions were perceived to have a low equality bar. It was observed that bribes are largely common in connection with imports and exports (-1.27; 55.7 per cent), tax payments (-1.31; 57.1 per cent) and awarding of public contracts and licenses (-1.4; 58.57 per cent). Such undocumented payments raise the cost of doing business and cause a disproportionate adverse impact on SMEs and start-ups.

'Lack of independence of the judicial system (-1.03; 47.9 per cent), low ethical standards of politicians (-1.69; 59.2 per cent) and difficulty for private businesses to challenge the government actions or regulations through the legal system year (-1.17; 51.4 per cent) were also largely common. The performance has further deteriorated in 2023 in terms of bribes for imports and exports, as well as the ethical standards of politicians. This calls for major institutional reform in organisations such as customs, NBR, Bangladesh Judicial Service Commission (BHSC), city corporations, and the judiciary. Without having transparency and accountability of the public organisations, the private sector of Bangladesh would become less competitive both in local and international markets against those of the competing countries.

Poor performance has been observed in the case of service delivery of other public institutions. Bribery in connection with public utilities (-0.76; 58.6 per cent) and obtaining favourable judicial decisions (-0.56; 55.7 per cent), as well as the illegal diversion of public funds (-0.96; 62.9 per cent) were somewhat common. Despite the introduction of the e-procurement system and other procedural changes in public procurement, little improvement is discerned in the procurement process.

The corporate ethics of companies are yet somewhat poor (-0.59, 57.4 per cent), with most formal sector companies showing a lack of adherence to a code of conduct in the operation of their businesses. In addition, a significant percentage of executives (52.9 per cent) believe that companies do not publicly report their social impact (-0.46) and that taxes do not effectively address inequality in society (-0.91).

**Figure 10: Institutional Development for Ensuring ‘Inclusiveness’**



Source: CPD EOS 2023.

#### 5.4 Institutional Development for ‘Resilience’

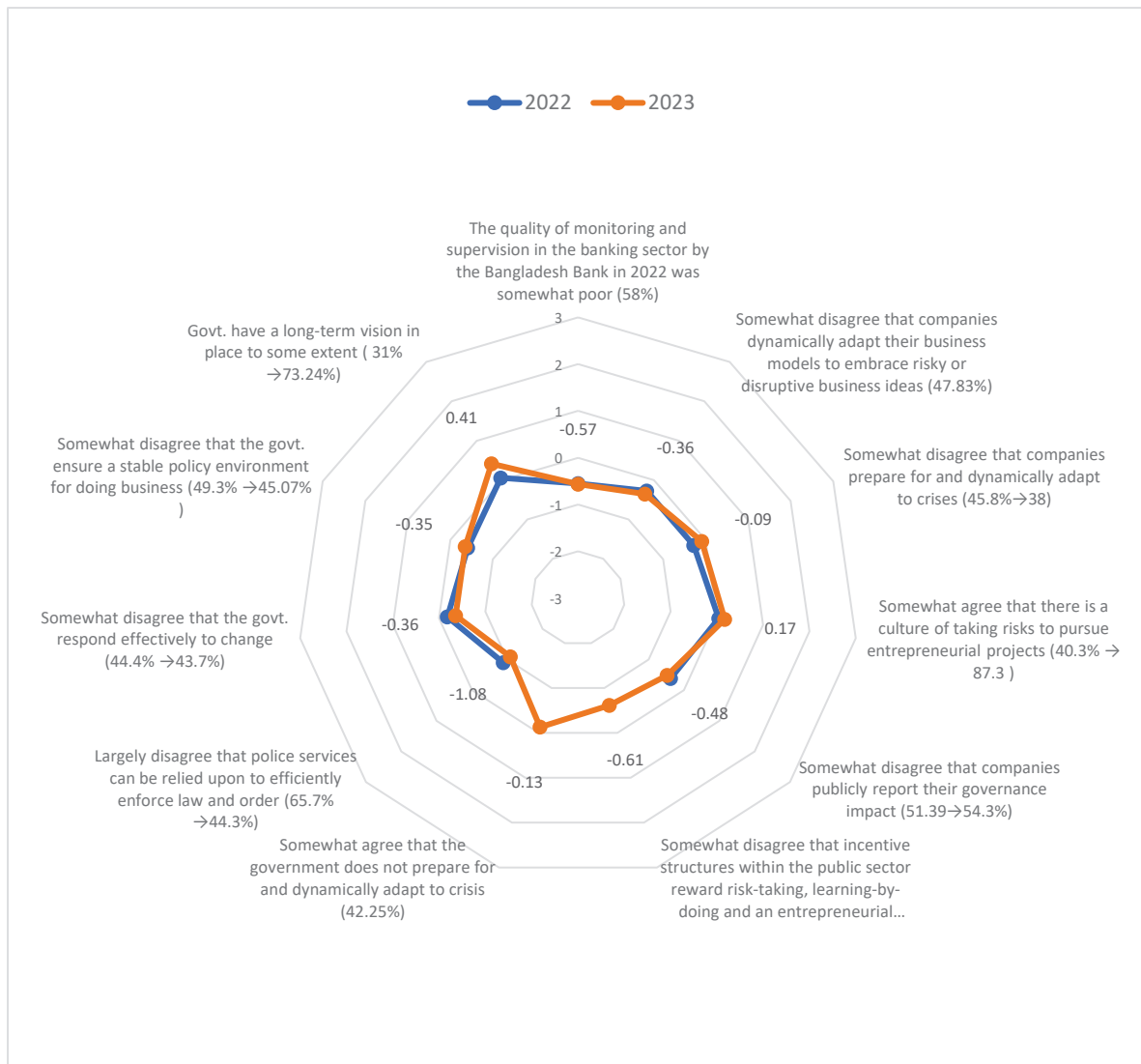
The resilience indicators of the public sector did not show any sign of improvement. According to the businessmen, although the government has a better long-term vision in place (0.41; 73.2 per cent), the government bureaucracy somewhat not respond effectively to change as required for facilitating the businesses (-0.36; 43.7 per cent). Similarly, the government also does not prepare for and dynamically adapt to the crisis (-0.13; 42.3 per cent). Around 45.1 per cent somewhat objected that the government does not ensure a stable policy environment for doing business (-0.35).

The effectiveness of public institutions is questionable in addressing the economic crisis. The quality of monitoring and supervision in the banking sector by the Bangladesh Bank in 2022 was deemed to be somewhat poor by 58 per cent of executives (-0.57). About 55.9 per cent are somewhat not satisfied with the incentive structures within the public sector reward risk-taking, learning-by-doing and entrepreneurial mindset (-0.61). About 44.3 per cent of observers largely disagreed that police services can be relied upon to efficiently enforce law and order (-1.08), which indicates a deterioration from last year. Such a weak institutional setup could hardly contribute to the resilience of the economy.

The private sector is also not immune from the risks according to the executives—the majority of businessmen find that there is a culture of taking limited risks to pursue entrepreneurial projects (0.17; 87.3 per cent). About 47.8 per cent indicated that the companies do not dynamically adapt their business models to embrace risky or disruptive business ideas (-0.36). The companies are somewhat

not prepared for and dynamically adapt to crises (-0.09; 38 per cent). Companies also do not publicly report their governance impact (-0.48; 54.3 per cent).

**Figure 11: Institutional Development for ‘Resilience’**



Source: CPD EOS 2023.

### 5.5 Institutional Development for ‘Sustainability’

Both indicators of suitability showed degrading results in 2023. About 64.2 per cent largely disagreed that taxes address environmental degradation (-0.94) which put less pressure on companies against using less environment-friendly production processes, machinery, and technologies. About 57.1 per cent of executives somewhat disagreed that the companies publicly report their environmental impact (-0.62). Public reporting on sustainability for the corporate sector needs to be made mandatory in order to ensure better practices for environmental sustainability. Figure 12 presents the comparison of sustainability-related indicators for 2022 and 2023.

**Figure 12: Institutional Development for ‘Sustainability’**



Source: CPD EOS 2023.

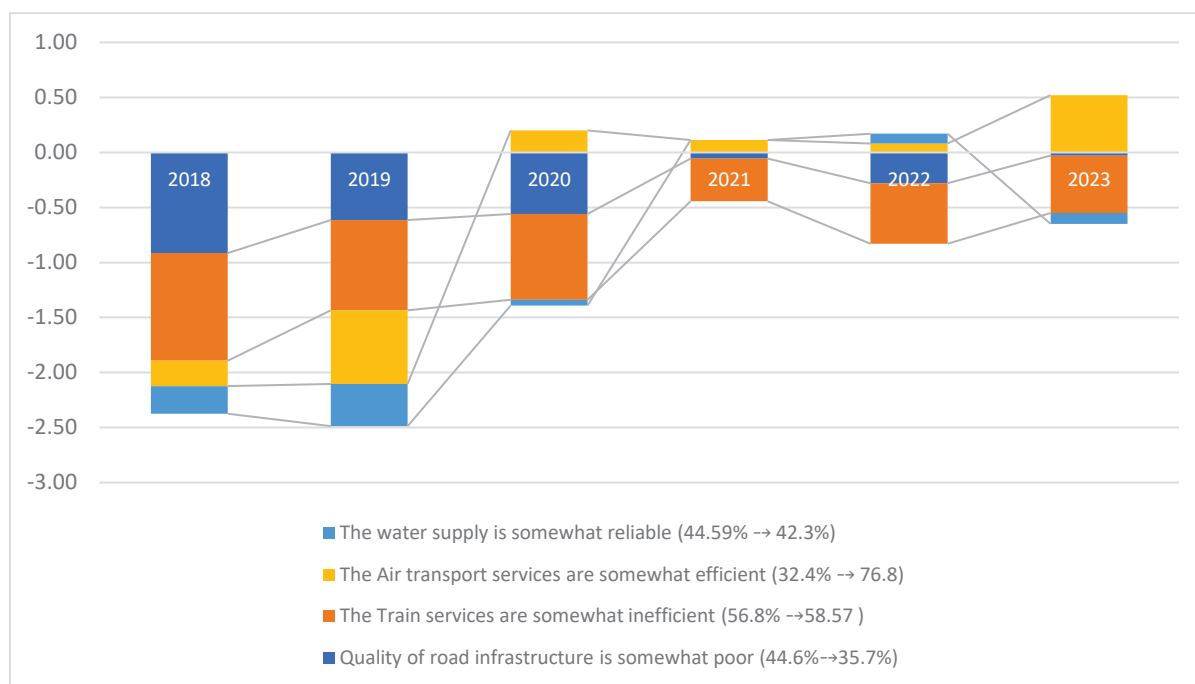
## 6. Driver 2: ‘Physical Resources’

The driver ‘physical resources’ impact the four pillars differently unlike that of the driver ‘human empowerment’. The pillar ‘innovativeness’ is influenced by different types of physical resources such as physical and natural capital, food and water. The pillar of ‘inclusiveness’, on the other part, is influenced by physical resources such as access to and affordability of physical resources. The third pillar ‘sustainability’ is impacted by emissions and biodiversity loss caused by physical resources. The fourth pillar ‘resilience’ is impacted by different types of physical resources such as food, water and energy import dependency/diversification.

### 6.1 Performance of ‘Physical Resources’ during the Last Six Years (2018-2023)

Figure 13 presents the performance of key indicators related to physical resources during 2018-2023. While most indicators still have negative perceptions, there has been a notable change towards the positive direction in the key indicators of physical resources since 2018. Firstly, the quality of road infrastructure has made substantial progress during the six years, although the overall perception remains negative. Secondly, there has been significant progress in the quality of air transport services as reported by the businessmen. Thirdly, the train services, although somewhat less efficient, have shown improvement over the last six years. However, the reliability of the water supply has not shown much improvement since 2018, except for the year 2022.

**Figure 13: Performance of 'Physical Resources' during the Last Six Years (2018-2023)**



Source: CPD EOS 2023.

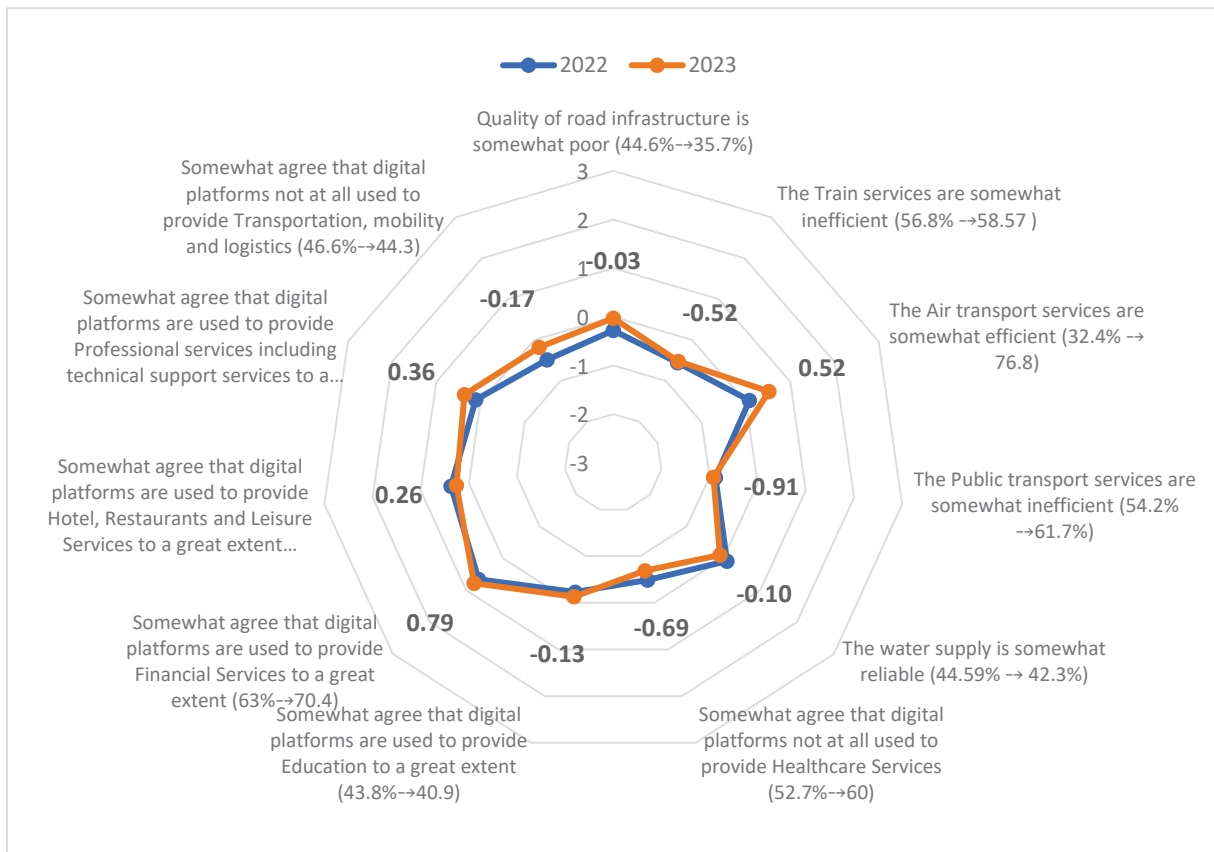
### 6.1 Improving Quality of Physical Resources for Ensuring 'Innovativeness'

Innovativeness-related physical resources, particularly digital infrastructure-related facilities are somewhat at the positive level. There has been use of digital platforms for professional services (0.36), including hotel, restaurant, leisure services (0.26) and financial services (0.79). In some cases, the digital potential of digital platforms is not fully utilised. Healthcare services are not provided by digital platforms (-0.69; 60 per cent); education (-0.13; 41 per cent) and transport and logistics (-0.17; 44.3 per cent) still have limited accessibility.

While there have been some improvements in infrastructure, such as good quality air transport services (0.52; 76.4 per cent), several indicators reflect poor quality and even deterioration. Somewhat inefficiency has been observed in the case of public transport services (-0.91; 61.7 per cent), particularly road transport (-0.03, 35.7 per cent), and train services (-0.52; 58.6 per cent). Additionally, the water supply has been deemed unreliable (-0.10; 42.3 per cent). Despite significant investment in infrastructure development particularly road, rail and waterways, progress is yet to be made in improving service quality which has adverse effect on the level of prosperity in the country.

The burden of repaying the foreign debt associated with infrastructure projects is heightened because of failure to complete the projects on time which caused a rise in the overall cost of the projects as well as reduced the economic return estimated through these projects. Furthermore, delayed project completion and additional expenditure have added to the government's burden.

**Figure 14: Improving Quality of Physical Resources for Ensuring 'Innovativeness'**



Source: CPD EOS 2023.

### 6.2 Improving Quality of Physical Resources for 'Sustainability'

According to the respondents, there is a consensus that the government does not adequately fund, subsidise, or invest in green and sustainable energy and infrastructure (-0.71; 59 per cent). However, there has been a slight positive shift in perception in 2023. Figure 15 compares the performance between 2022 and 2023. The government should prioritise allocating funds towards the climate budget, with a specific focus on adaptation and mitigation measures. Additionally, investment in fossil fuel-based energy infrastructure needs to be reduced.

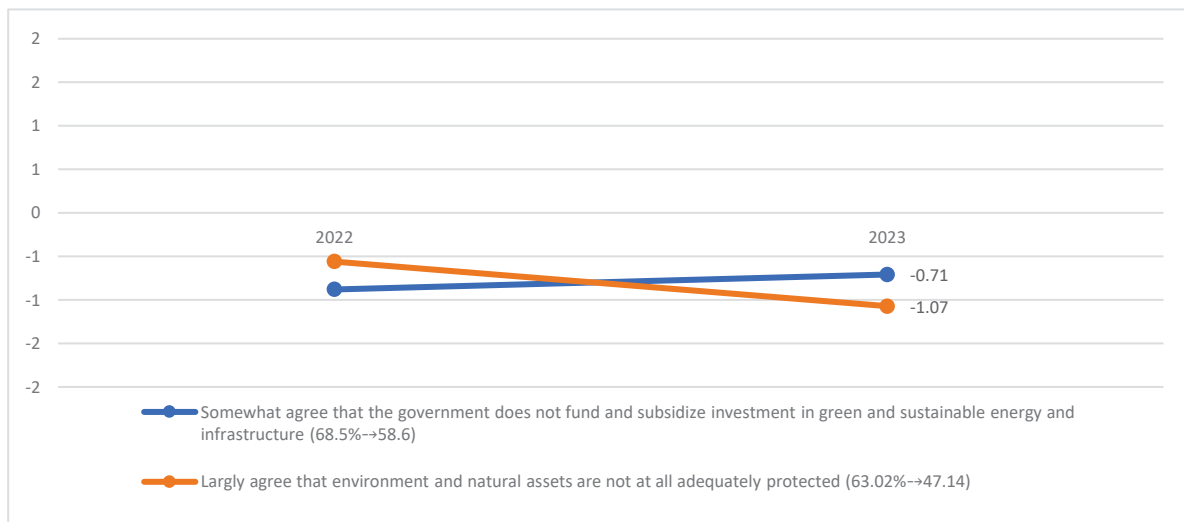
The business community has observed a worsening state of environmental protection and natural asset preservation, and it has deteriorated further in 2023 (-1.07; 47 per cent). The Ministry of Environment needs to further strengthen its monitoring and enforcement activities, particularly in major industrial clusters, to combat environmental pollution effectively.

### 6.3 Improving Quality of Physical Resources to Ensure 'Inclusiveness'

The town and city centres are largely overcrowded (-1.04; 51 per cent), according to the respondents. While urban poverty has decreased over time, the poverty rate remains high, highlighting the ongoing problem of urban inequality. Figure 16 compares the performance between 2022 and 2023. Another concern is the limited effort to develop growth centres outside a few major cities. This lack of effort for decentralisation is hindering the overall growth and distribution of opportunities.

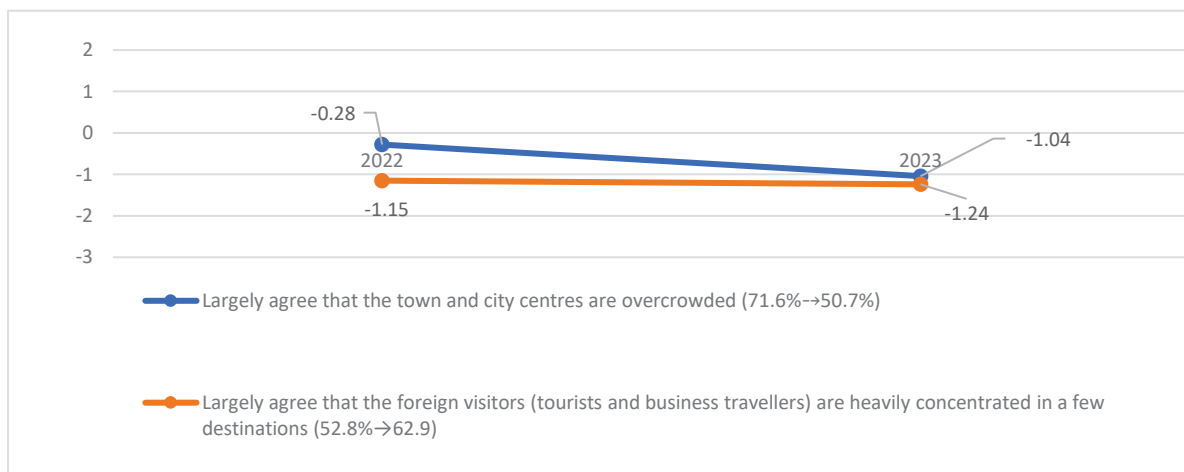
Furthermore, foreign visitors, including tourists and business travellers, are more heavily concentrated in a few destinations (-1.24; 63 per cent) than in 2023.

**Figure 15: Improving Quality of Physical Resources for 'Sustainability'**



Source: CPD EOS 2023.

**Figure 16: Improving Quality of Physical Resources to Ensure 'Inclusiveness'**



Source: CPD EOS 2023.

## 7. Driver 3: 'Finance'

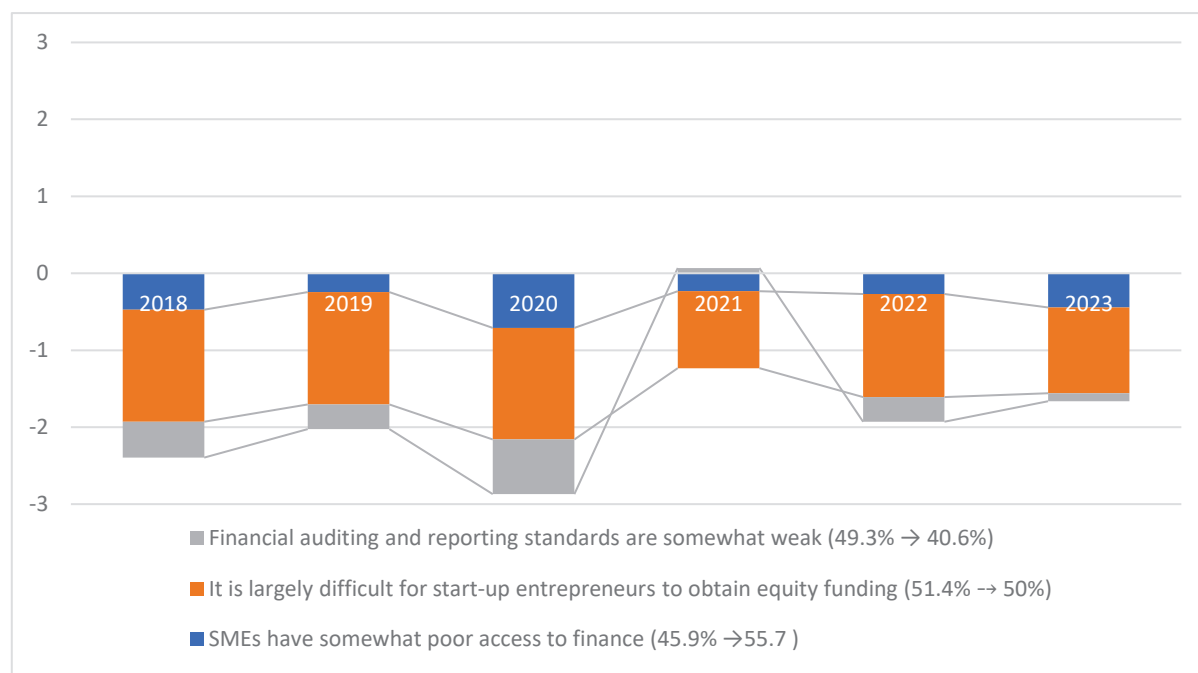
The driver 'finance' impacts the four pillars differently. The pillar 'innovativeness' is impacted through banking and related financing markets; while the pillar 'inclusiveness' is impacted by access to finance and wealth inequality. The pillar 'sustainability' faces the effect of the driver 'finance' through green finance and investment. On the other side, the pillar 'resilience' is impacted by financial and macroeconomic stability.

### 7.1 Performance of 'Finance' during the Last Six Years (2018-2023)

Since 2018, the financial indicators have been persistently negative, although there have been some slight improvements in their magnitude. It is crucial to strengthen the financial auditing and reporting standards to address these challenges effectively. Entrepreneurs continue to face significant difficulties in obtaining equity funding. Access to finance for the SMEs has been subpar over the last five years.



**Figure 17: Performance of 'Finance' during the Last Six Years (2018-2023)**



Source: CPD EOS 2023.

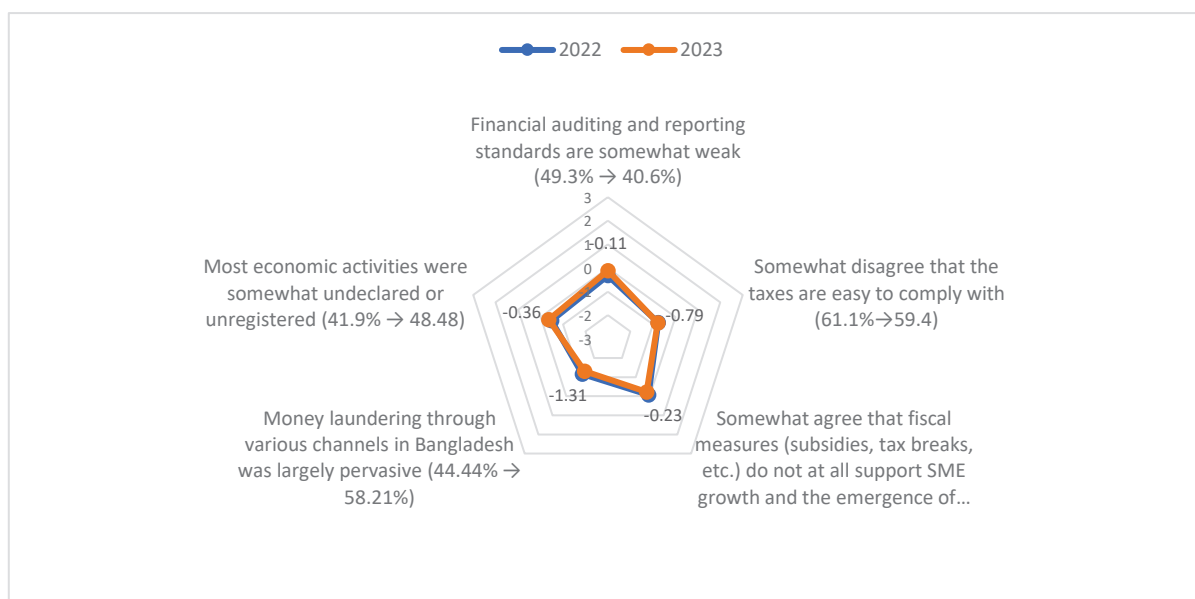
### 6.1 Finance for Ensuring 'Innovativeness'

Most of the indicators in the financial sector suggest a downward trend compared to the previous year (Figure 18). According to the respondents, a negative perception is observed concerning the prosperity of this sector. Money laundering through various channels in Bangladesh was largely pervasive (-1.31; 58.21 per cent). This raises concerns about the effectiveness of our public agencies, including Bangladesh Bank, the Financial Intelligence Unit, and the Criminal Investigation Department (CID). An integrated financial transaction system covering banks, non-bank financial institutions, Mobile Financial Services (MFS), digital banks, forex dealers, capital market, central bank, and the NBR, is necessary to track and combat money laundering effectively. A collaborative approach involving various organisations including the police, judiciary, intelligence agencies, banks and other financial institutions is needed.

According to 40.6 per cent of the respondents, financial auditing and reporting standards are somewhat weak (-0.11), although there have been marginal improvements in this area. NBR has taken some positive initiatives towards improving financial reporting and auditing, however, those are inadequate and fragmented and fail to ensure financial transparency in the corporate sector. However, further integration between agencies involved in financial transactions, both domestically and internationally, is necessary.

Most economic activities remained somewhat undeclared or unregistered (-0.36; 48.48 per cent). To address this issue, a national platform integrating all registering authorities at national, regional, local, sectoral, foreign, and specialised levels needs to be set up. This would streamline the registration process and ensure compliance across all types of economic activities.

**Figure 18: Finance for Ensuring ‘Innovativeness’**



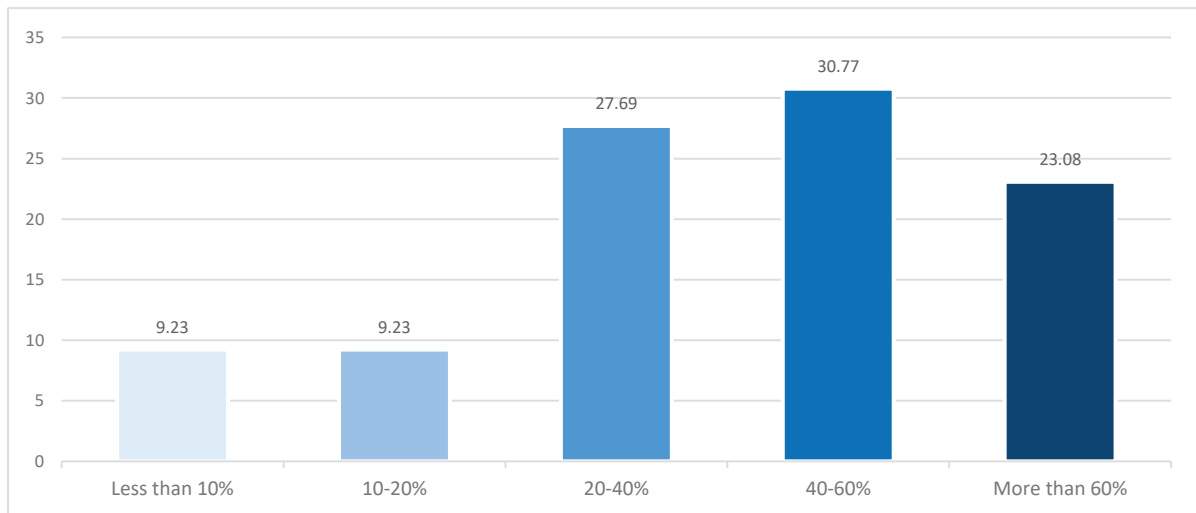
Source: CPD EOS 2023.

The current fiscal measures such as subsidies and tax breaks do not effectively support the growth of SMEs and the emergence of new entrants in the market (-0.23; 45.1 per cent). In other words, more customised fiscal instruments acknowledging the structure of SME businesses and their readiness need to be designed which could facilitate the growth of the SMEs. Furthermore, a concentration of businesses in sectors related to the domestic market was observed due to weak and faulty policies, lack of organised voices of SMEs, and dominance of big business houses in the policy-making process. Major economic reforms in areas such as market competition, dominant market players, incentive structures, sectoral financing and investment structure are required to create a levelled playing field for all businesses.

Businessmen often complain about hassles in paying taxes. Approximately 59.4 per cent of the respondents expressed difficulty in complying with taxes. This highlights the need for a hassle-free and online-based tax collection system through Business Identification Number (BIN)/Taxpayer Identification Number (TIN). For a smoother tax collection system, NBR should work to gradually reduce face-to-face contact between tax collectors and taxpayers.

Around one-fourth of the businessmen surveyed believe that tax evasion exceeds 60 per cent. Specifically, 30.8 per cent perceived the rate to be between 40 per cent and 60 per cent, while 27.7 per cent estimated it to range from 20 per cent to 40 per cent. Additionally, approximately 18 per cent of respondents believed the rate to be below 20 per cent. The NBR should take a proactive approach towards addressing tax evasion by establishing an integrated financial transaction system.

**Figure 19: Businessmen’s Perception on Rate of Tax Evasion in Bangladesh**

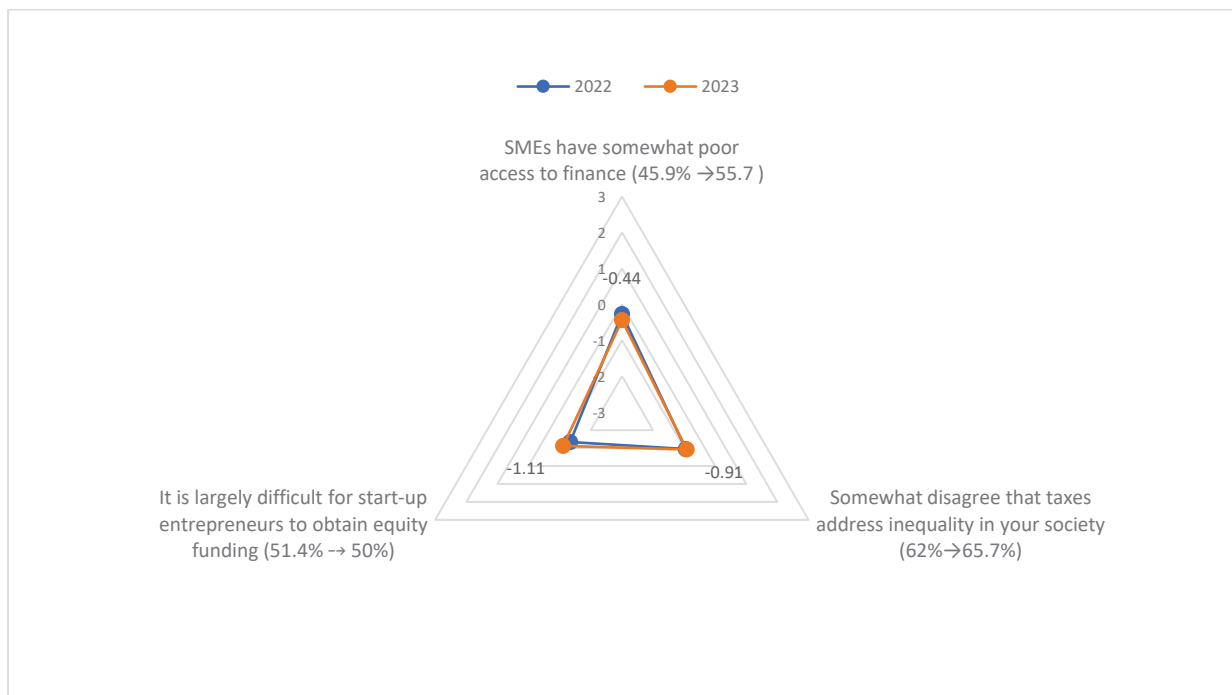


Source: CPD RAS 2023.

## 6.2 Finance for ‘Inclusiveness’

Inclusive financing is yet to reach the minimum required level. Approximately 55.7 per cent of the respondents expressed that SMEs still face challenges in accessing finance, indicating a somewhat poor level of accessibility (-0.44). Despite the implementation of various measures aimed at raising finance for SMEs, a significant portion of SMEs continue to struggle to obtain funds to start their businesses. Start-up entrepreneurs, in particular, face a high level of difficulty in accessing equity funding (-1.11; 50 per cent).

**Figure 20: Finance for ‘Inclusiveness’**



Source: CPD EOS 2023.

Taxes somewhat failed to address inequality in the society (0.91; 65.7 per cent). There seems to be a lack of effort in introducing tax measures that target inequality, such as wealth tax, inheritance tax, and progressive income tax.

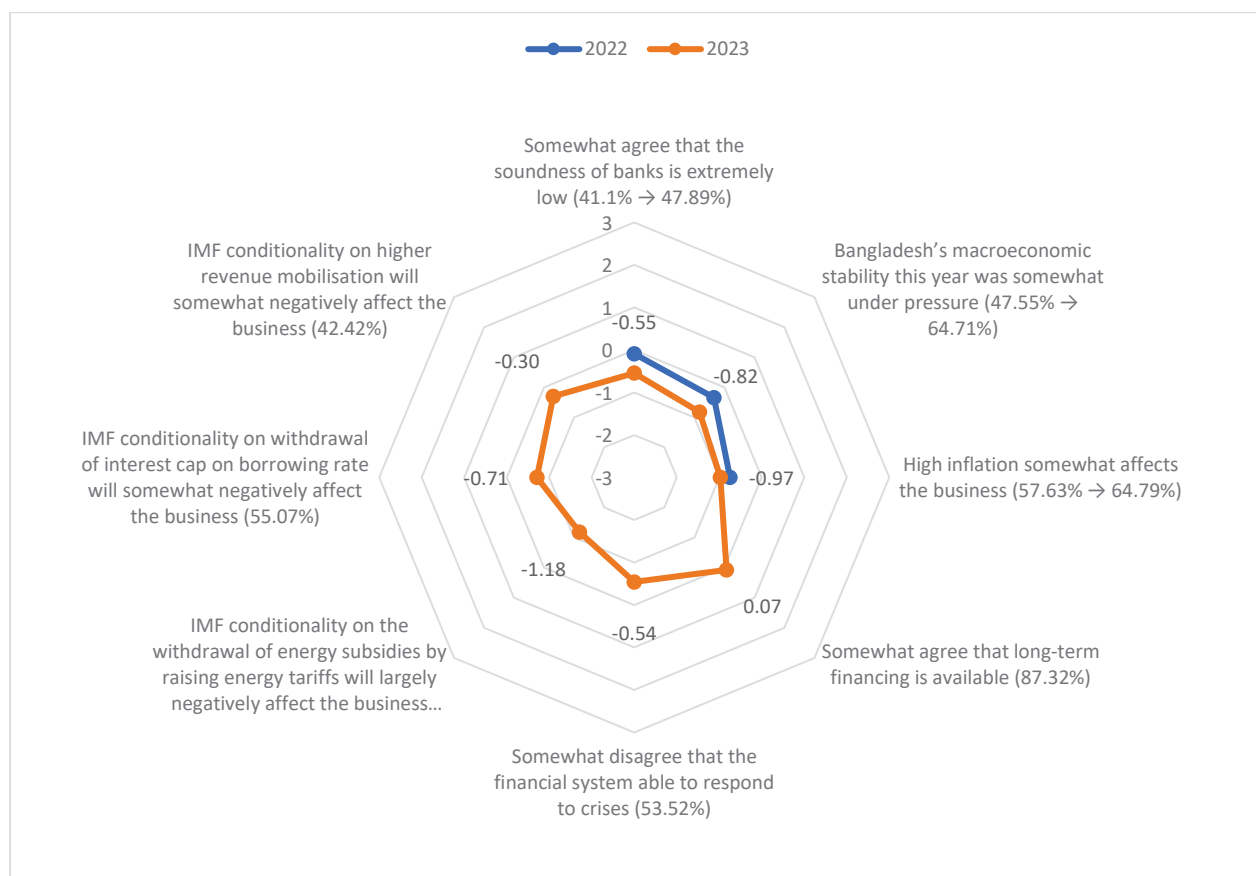
### 6.3 Finance for ‘Resilience’

The resilience indicators showed concerning observations. About 48 per cent of the respondents somewhat agreed that the soundness of banks is extremely low (-0.55; 47.9 per cent), which is a decline from the previous year (Figure 21). Over half of the executives (53.5 per cent) somewhat agreed that the financial system is not adequately equipped to respond to crises (-0.54). Major financial institutions such as Bangladesh Bank, SEC, and commercial banks, have largely failed to halt the decline of the banking sector. Moreover, most public entities seem to be averse towards implementing major reform measures to improve the soundness of the banking sector.

There has been some pressure on macroeconomic stability compared to last year (-0.82; 64.71 per cent). One of the main contributing factors is the failure to take major structural reforms in areas, particularly revenue mobilisation, financial sector management, tax evasion, money laundering, public expenditure management, and subsidy management.

High inflation somewhat negatively affects the business (-0.97; 64.79 per cent). There is little remedy due to ongoing inflationary pressures worldwide, as well as a failure to address issues related to the market supply chain, market competition, access to market-related information, and the participation of non-market agents.

**Figure 21: Finance for ‘Resilience’**



Source: CPD EOS 2023.

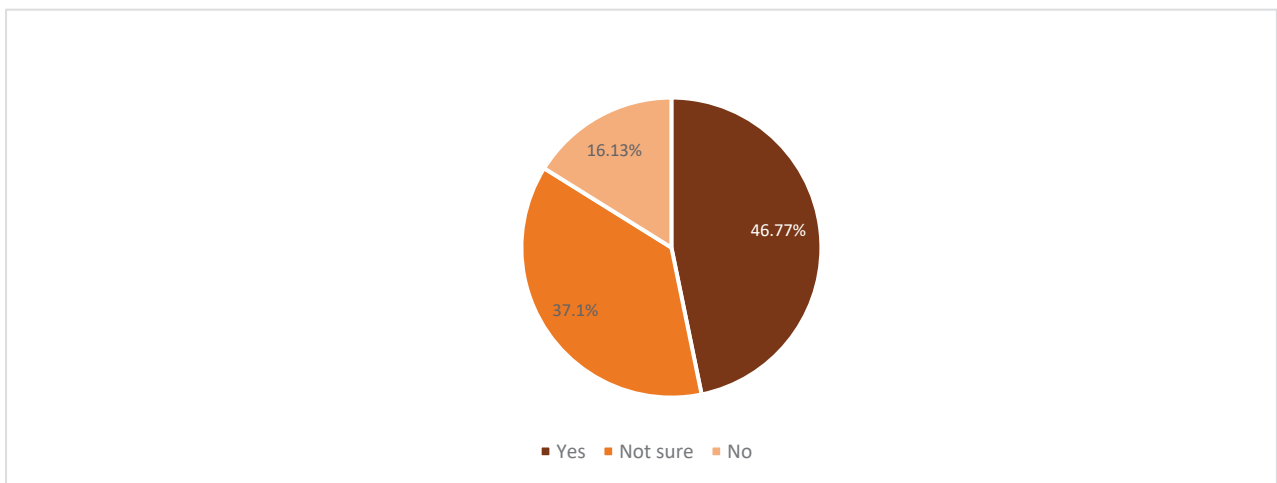
On a positive note, there is some availability of long-term financing (0.07; 87.32 per cent). However, most of this financing comes in the form of debt, as there have been challenges in accessing equity financing from the capital market due to its dysfunctionality.

Business executives also shared their views regarding the implications of the International Monetary Fund (IMF) conditionalities on their businesses. Firstly, the withdrawal of energy subsidies by raising energy tariffs, as per the IMF conditionality, is expected to have a largely negative impact on businesses (-1.18; 38.81 per cent). Secondly, the withdrawal of interest cap on borrowing rate, another IMF conditionality, is predicted to have a somewhat negative effect on businesses (-0.71; 55.07 per cent). There is a need for the introduction of a more transparent interest rate-setting mechanism to ensure a competitive structure of interest rates in the market.

Additionally, the implementation of higher revenue mobilisation, per IMF conditionality, is anticipated to somewhat negatively affect businesses (-0.3; 42.42 per cent). A digital tax collection system is needed to streamline the tax collection process and mitigate potential issues related to corruption.

Regarding the withdrawal of the option of capacity payment to power producers, 47 per cent of the respondents consider this to be a credible option for reducing subsidy pressure in the power sector, while 16 per cent have an opposing opinion. Around 37 per cent of the respondents were neutral on this matter (Figure 22).

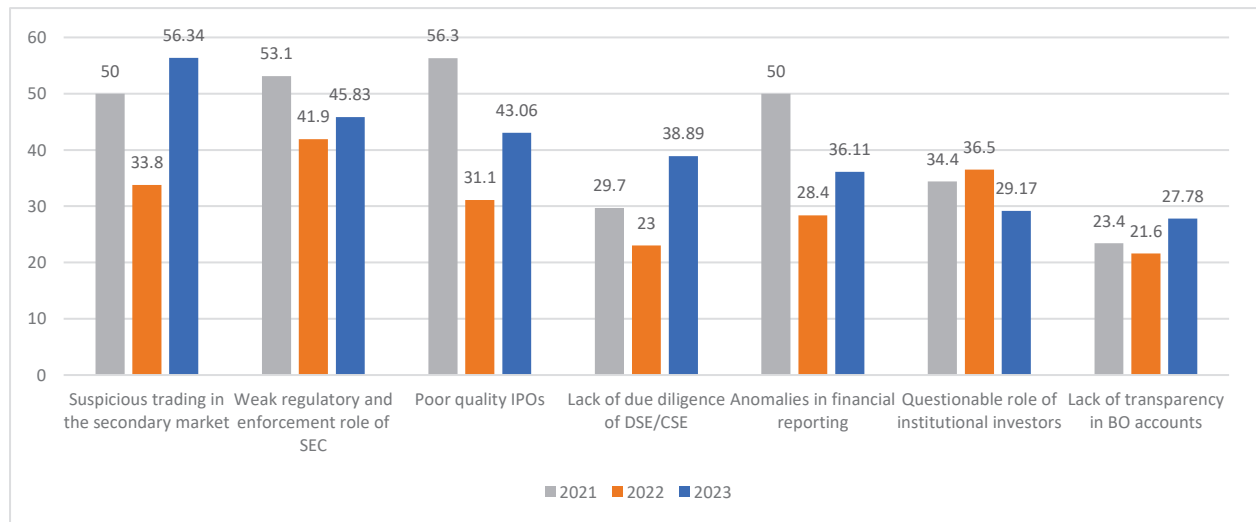
**Figure 22: Whether Withdrawing the Option of Capacity Payment to the Power Producers Would be a Credible Option to Reduce Subsidy Pressure in the Power Sector**



Source: CPD RAS 2023.

The capital market has been struggling to build confidence among the investors like the previous years (Figure 23). Major challenges of the capital market include suspicious trading in the secondary market (50 per cent), weak regulatory enforcement role of the SEC (53.1 per cent), anomalies in financial reporting (50 per cent) and poor-quality Initial Public Offerings (IPOs) (56.3 per cent). Concerningly, these same issues topped the list in 2022 as well. Other concerns include the failure to ensure due diligence of Dhaka Stock Exchange/Chittagong Stock Exchange, anomalies in financial reporting, and the questionable role of institutional investors.

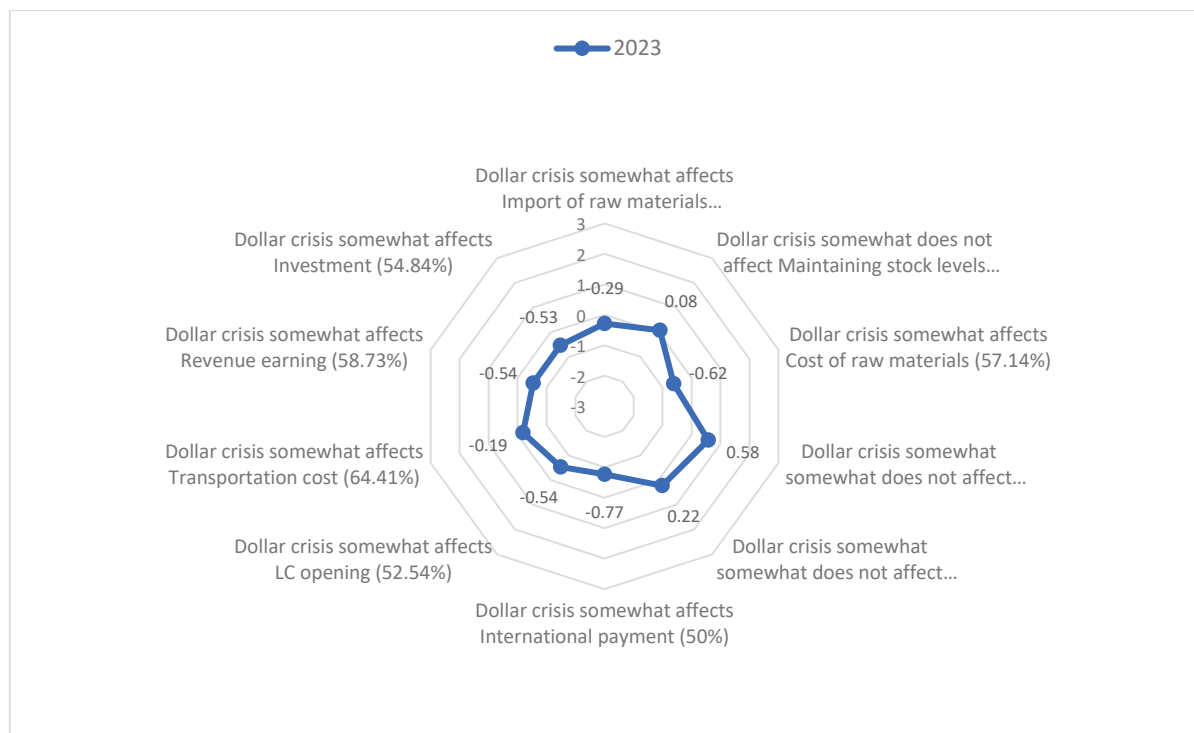
**Figure 23: Businessmen's Perception of the Banking Sector and Capital Market**



Source: CPD RAS 2023.

The dollar crisis somewhat negatively affects most of the business indicators at different levels (Figure 24). The adversity is somewhat higher in the case of international payment (-0.77; 50 per cent followed by cost of raw materials (-0.62; 57.1 per cent), LC opening (-0.54; 52.5 per cent), revenue earning (-0.54; 58.7 per cent) and investment (-0.53; 54.8 per cent). Several other issues also face constraints due to the dollar crisis including import of raw materials (-0.29; 60.32 per cent) and transportation cost (-0.19; 64.41 per cent). On the other part, certain indicators remain unaffected, such as maintaining stock levels (0.08; 44.3 per cent), exports of final goods (0.58; 49.2 per cent), and demand from foreign buyers (0.22; 38.9 per cent).

**Figure 24: Impact of Dollar Crisis on the Economy**



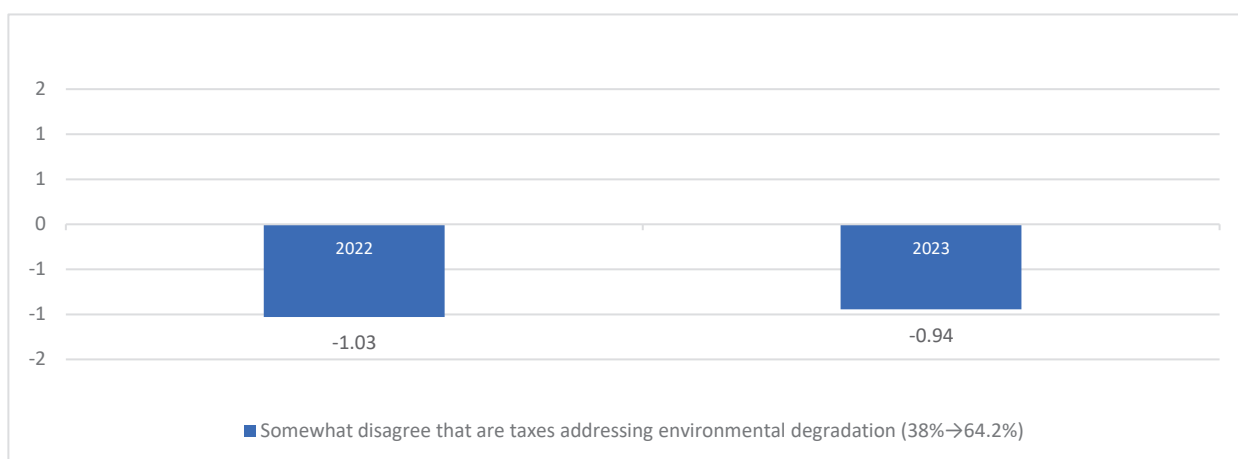
Source: CPD RAS 2023.

Overall, the persistent dollar crisis poses a significant concern for external trade and investment in the coming months. Implementing time-bound measures, on a weekly or monthly basis, to increase foreign exchange reserves could address the dollar crisis. These measures should focus on both discouraging the outward flow of dollars and attracting the inward flow of dollars.

#### 6.4 Finance for 'Sustainability'

There is limited effort from the government side to use fiscal and financial instruments to address the environmental sustainability concerns of the country. About 64.2 per cent of respondents somewhat disagree that taxes address environmental degradation (-0.94). The government has to take the initiative to introduce a carbon tax.

**Figure 25: Finance for 'Sustainability'**



Source: CPD EOS 2023.

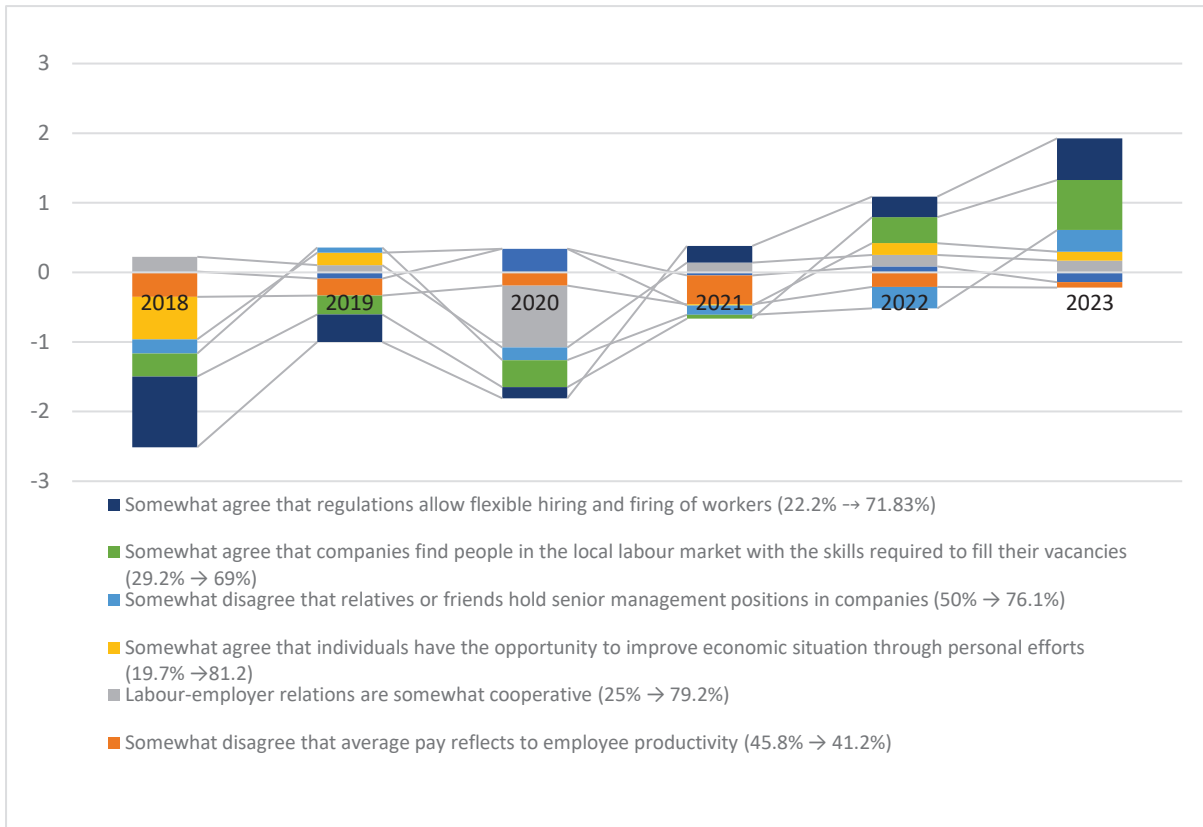
## 8. Driver: Human Empowerment

The driver 'human empowerment' impacts different pillars differently. The workforce's health, skills and incentives directly contribute to strengthening the pillar 'innovativeness'. On the contrary, access to health and social services and income inequality are directly related to inclusiveness. Green employment and consumption contribute to improving the pillar. Issues such as age ratios, health system capacity, etc. impact on resilience of the economy. Thus, different types of human empowerment have different levels of impact on different pillars.

### 8.1 Performance of 'Human Empowerment' during the Last Six Years (2018-2023)

A positive trend has been observed in the key indicators of human empowerment in Bangladesh since 2018 (Figure 26). Regulations have gradually been more flexible in terms of hiring and firing of workers over the years. However, regulations related to the hiring of foreign labour have become a little restrictive in recent years. Companies find more people with the skills required to fill their vacancies than before in the local labour market. The co-operative nature of labour-employer relations has mostly been deemed to be somewhat positive with an exception in 2020, which might be a result of the lockdown during the pandemic. The opportunity for individuals to improve their economic situation through personal efforts has somewhat increased in the last five years. However, the average pay has never reflected employee productivity over the past few years.

**Figure 26: Performance of 'Human Empowerment' during the Last Six Years**



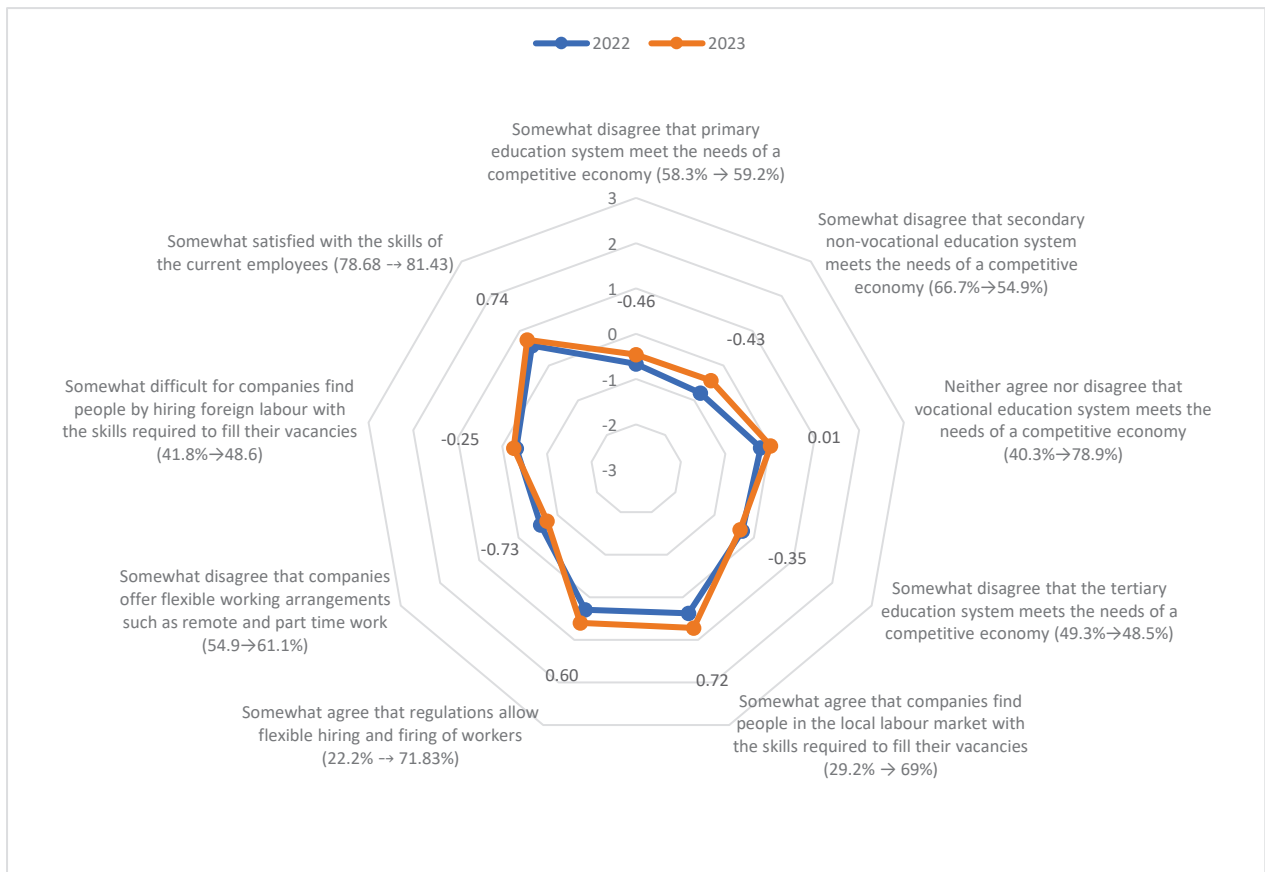
Source: CPD RAS 2023.

### 8.2 Human Empowerment for Ensuring 'Innovativeness'

Business perception regarding bringing innovativeness in human empowerment is improving (Figure 27). Little improvement has been observed in education though it still belongs in the negative zone - about 80 per cent somewhat agreed that the population have sufficient access to education and training services (0.11). About 58.3 per cent of the respondents somewhat agree that primary education still lags in meeting the needs of a competitive economy (-0.46). Around 49.3 per cent of the respondents perceived that the secondary non-vocational education system somewhat did not meet the needs of the competitive economy (-0.43). Considerable improvement was observed in the case of vocational education (0.01; 79 per cent). However, entrepreneurs have agreed that the tertiary education system is still behind in complying with the needs of the competitive economy (-0.35; 48.53 per cent).



**Figure 27: Human Empowerment for Ensuring ‘Innovativeness’**

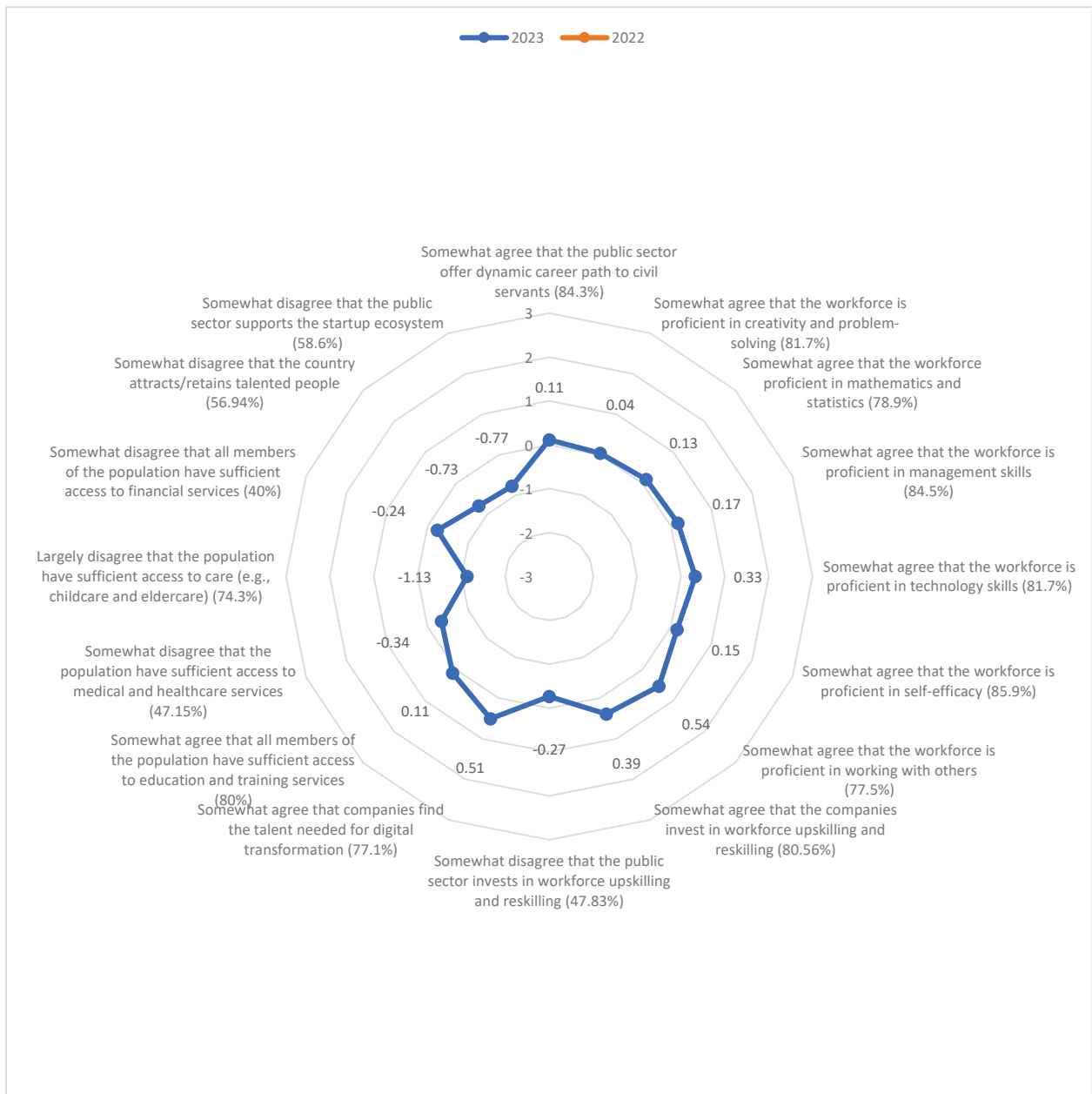


Source: CPD EOS 2023.

While increasing access to education and improvements in vocational training are positive steps, the quality and relevance of primary, secondary, and tertiary education remain critical concerns. Although the new primary education curriculum in Bangladesh, introduced in 2023, aims to revolutionise the way children learn and prepare them for the challenges of the 21st century, there has been a concern regarding its proper implementation. Whether the infrastructure of Bangladesh (preparedness of teachers, availability of resources, shifting mindsets, etc.) is ready to adapt to the new curriculum remains a question. That being said, there is no doubt that by focusing on skills development, integrated learning, and technology integration, students can be equipped with the knowledge and abilities they need to thrive in the 21<sup>st</sup> century.

On average, there has been improvement in company policies concerning human empowerment and skill development (Figure 28). Little improvement is also observed for companies to find people in the local labour market with the skills required to fill their vacancies (0.72; 69 per cent). Consensus follows that the regulations somewhat allow flexible hiring and firing of workers (0.6; 72 per cent). Around 81.4 per cent of the employers are somewhat satisfied with the skills of the current employees (0.74). Some 77.1 per cent somewhat agreed that companies find the talent needed for digital transformation (0.51). Around 80.6 per cent somewhat agreed that the companies invest in workforce upskilling and reskilling (0.39).

**Figure 28: Human Empowerment for Ensuring ‘Innovativeness’**



Source: CPD EOS 2023.

However, there are some challenges in the private sector. Around 61 per cent of responders still somewhat disagree that companies offer flexible working arrangements such as remote and part-time work (-0.73). About 48 per cent of the respondents perceive that it is somewhat difficult for companies to find people by hiring foreign labour with the skills required to fill their vacancies (-0.25).

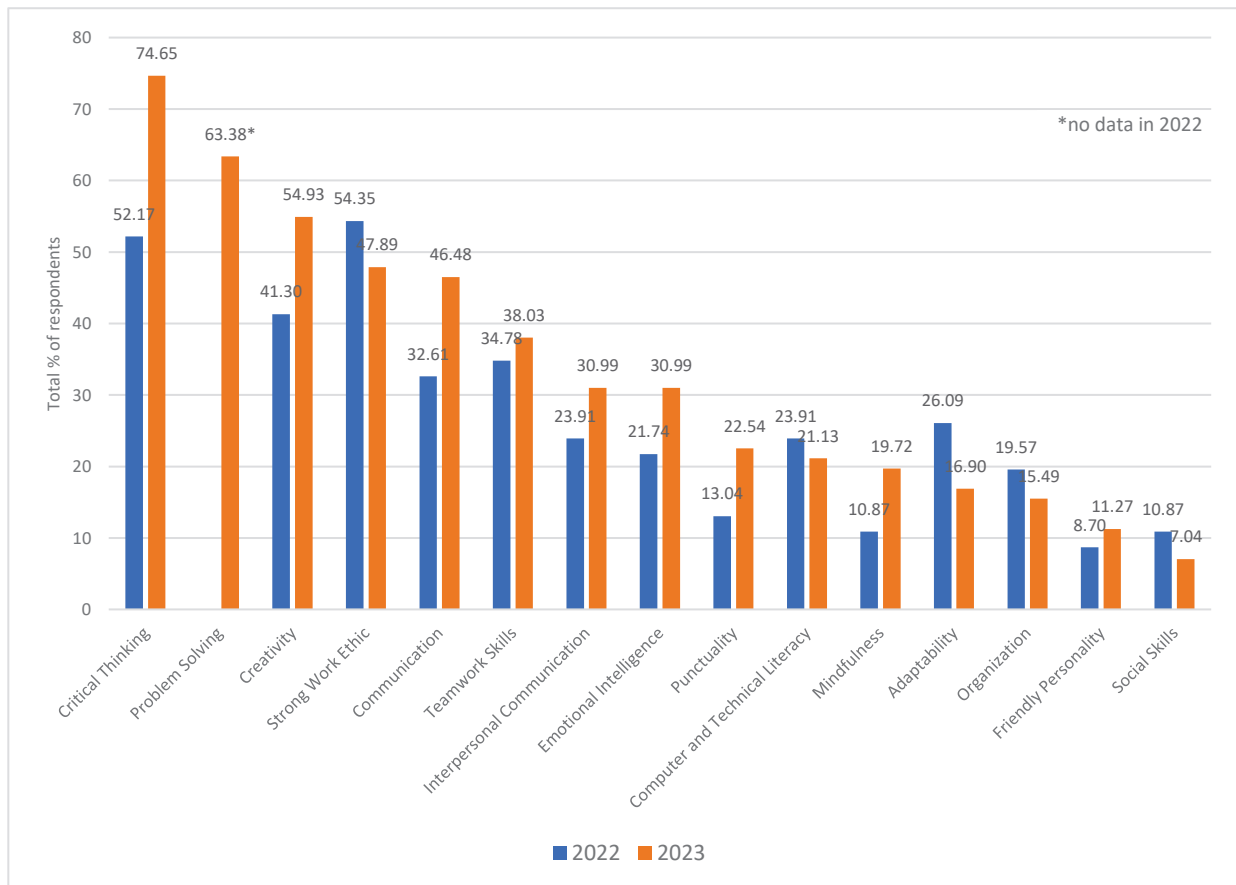
The proficiency of the workforce is in a somewhat good position according to the employers (Figure 28). The workforce is proficient in creativity and problem-solving (0.04; 81.7 per cent), mathematics and statistics (0.13; 78.9 per cent), management skills (0.17; 84.5 per cent), technology skills (0.33; 81.7 per cent), self-efficacy (0.15; 85.9 per cent), and working with others (0.54; 77.5 per cent).

The performance of the public sector is not very noteworthy. Around 84.3 per cent of the respondents observed the public sector offers a somewhat dynamic career path to civil servants (0.11 per cent).

Around 47.8 per cent somewhat agreed that the public sector does not invest in workforce upskilling and reskilling (-0.27).

The public sector also does not much support the start-up ecosystem (-0.77; 58.57 per cent). Around 57 per cent somewhat disagree that the country attracts/retains talented people (-0.73). The responders observed that access to healthcare and financial services is not ensured. The population do not have sufficient access to medical and healthcare services (-0.34; 47.15 per cent), childcare and eldercare (-1.13; 74.3 per cent), and financial services (-0.24; 40 per cent).

**Figure 29: Skills that are demanding but unavailable in the labour market**



Source: CPD EOS 2023.

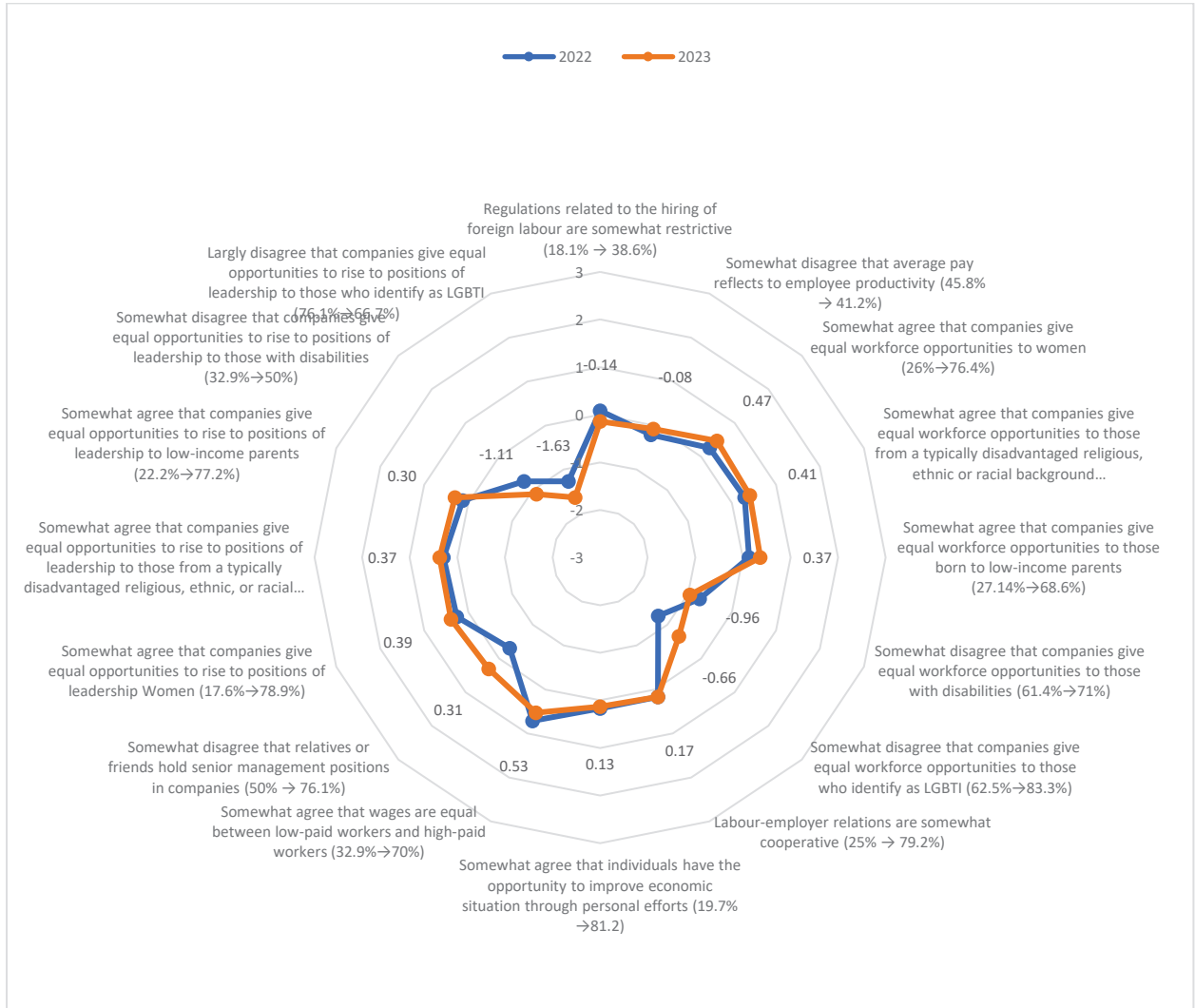
Regarding the availability of crucial skills in the job market, the employers reported that critical thinking, problem-solving, and creativity are consistently identified as the top three skills that are in demand but unavailable. (Figure 29). Strong work ethics, communication skills, and teamwork are also on top of the list. These skills topped the list in the previous year as well. Other skills that are lacking in the labour market include interpersonal communication, emotional intelligence, and punctuality.

### 8.3 Human Empowerment for 'Inclusiveness'

Both the public and private sectors offer somewhat equal opportunities to women, all ethnic backgrounds, and people with low-income backgrounds (Figures 30 and 31). However, equal treatment is not observed for people with disabilities and those who identify as LGBTI. Observers somewhat agree that the public sector gives equal opportunities to rise to positions of leadership to women (0.9; 64.8 per cent), all ethnic or racial backgrounds (0.7; 70.42 per cent), and those from low-

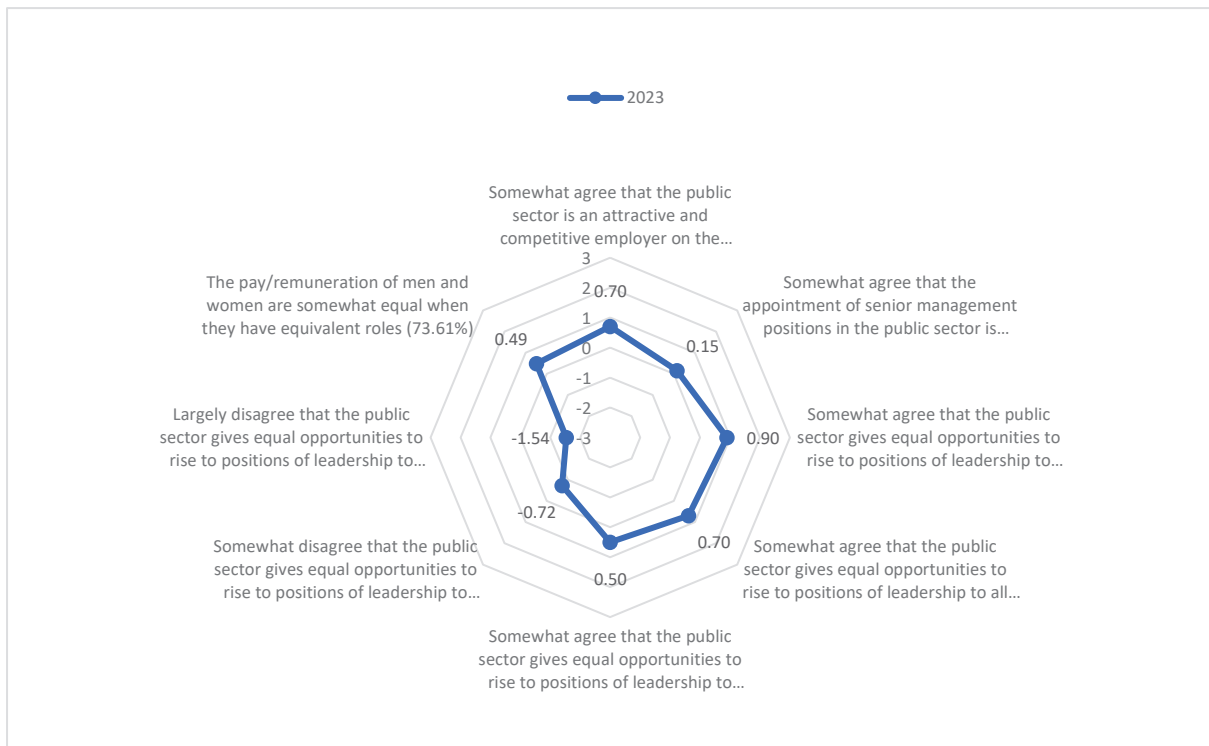
income backgrounds (0.5; 60.2 per cent). However, they disagree that the public sector gives equal opportunities to rise to positions of leadership to those with disabilities (-0.72; 60.56 per cent) and those who identify as LGBTI (-1.54; 66.15 per cent).

**Figure 30: Human Empowerment for 'Inclusiveness' (1)**



Source: CPD EOS 2023.

**Figure 31: Human Empowerment for 'Inclusiveness' (2)**



Source: CPD EOS 2023.

Similarly, the companies give equal workforce opportunities to women (0.47; 76.4 per cent), to those from a typically disadvantaged religious, ethnic or racial background (0.41; 71.4 per cent), and to those born to low-income parents (0.37; 68.6 per cent). All these indicators show slight improvement (Figure 30). However, the observers disagree that companies give equal workforce opportunities to those with disabilities (-0.96; 71 per cent) and to those who identify as LGBTI (-0.66; 83.3 per cent). In the case of leadership opportunities, companies follow a similar trend as in 2022, according to the respondents. Companies give equal opportunities to rise to positions of leadership to women (0.39; 79 per cent), all ethnic or racial backgrounds (0.37; 73 per cent), and those from low-income backgrounds (0.3; 77.15 per cent). However, companies still largely discriminate while giving equal opportunities to rise to positions of leadership to those with disabilities (-1.11; 50 per cent) and those who identify as LGBTI (-1.63; 66.67 per cent).

The respondents somewhat agree that the public sector is an attractive and competitive employer on the labour market (0.7; 66.67 per cent) and the appointment of senior management positions in the public sector is based on merit, skills, and qualifications (0.15; 83.1 per cent). On the contrary, 76 per cent somewhat disagree that relatives or friends hold senior management positions in companies (0.31), which was the exact opposite case in 2022.

Among the other indicators that performed well are: somewhat equal pay/remuneration of men and women when they have equivalent roles (0.49; 73.61 per cent), somewhat co-operative labour-employer relations (0.17; 79.2 per cent); opportunity for individuals to improve their economic situation through personal efforts (0.13; 81.2 per cent); somewhat equal wages between low-paid workers and high-paid workers (0.53; 70 per cent).

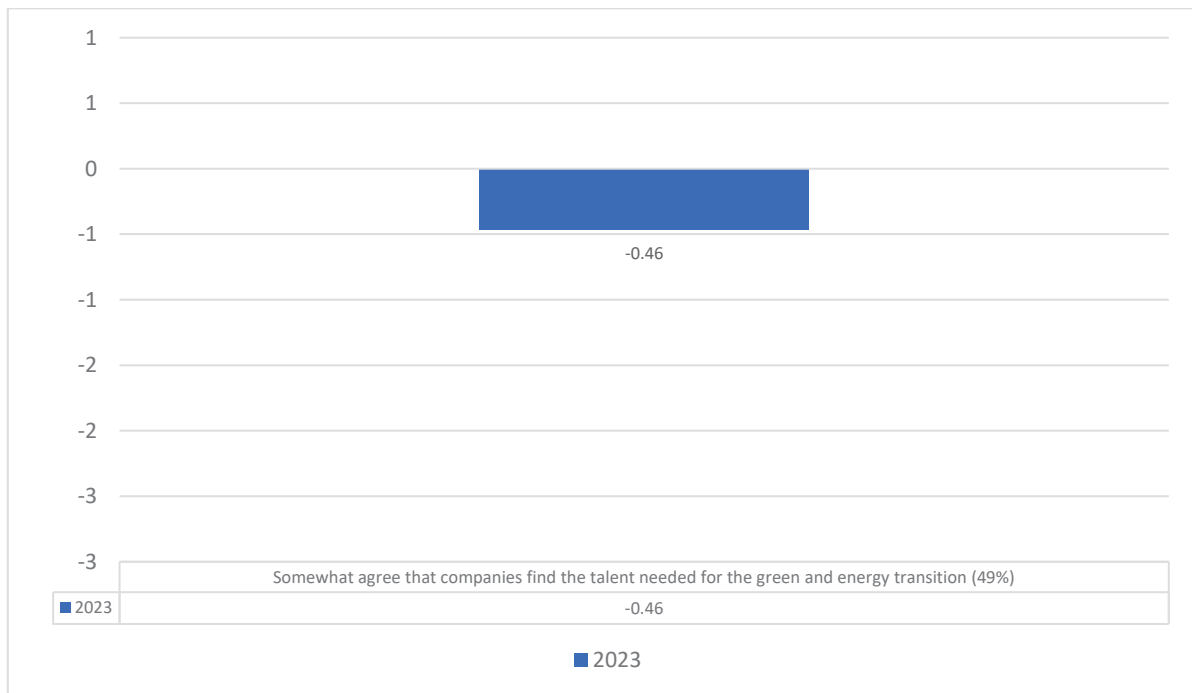
Indicators that performed worse than last year include restrictive regulations related to the hiring of foreign labour (-0.14; 38.6 per cent), which was slightly the opposite last year. Average pay is unreflective of employee productivity (-0.08; 41.2 per cent%).

In 2023, the minimum wage for garment sector workers has been revised to BDT 12,500 per month (approximately USD 132), which is still considered to be low by many. As a result, labour unions were seen demanding further increases in the minimum wage.

#### 8.4 Human Empowerment for ‘Sustainability’

About 49 per cent of observers somewhat agreed that companies do not find the talent needed for the green and energy transition (0.46).

**Figure 32: Human Empowerment for ‘Sustainability’**

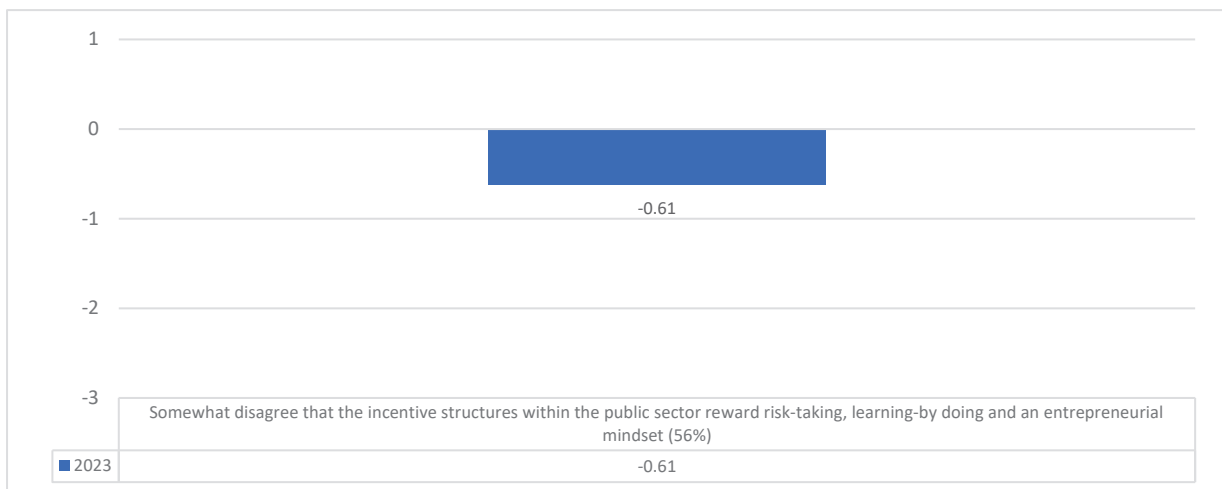


Source: CPD EOS 2023.

#### 8.5 Human Empowerment for ‘Resilience’

About 56 per cent of observers indicated that the incentive structures within the public sector do not reward risk-taking, learning by doing and an entrepreneurial mindset (-0.61).

**Figure 33: Human Empowerment for ‘Resilience’**



Source: CPD EOS 2023.

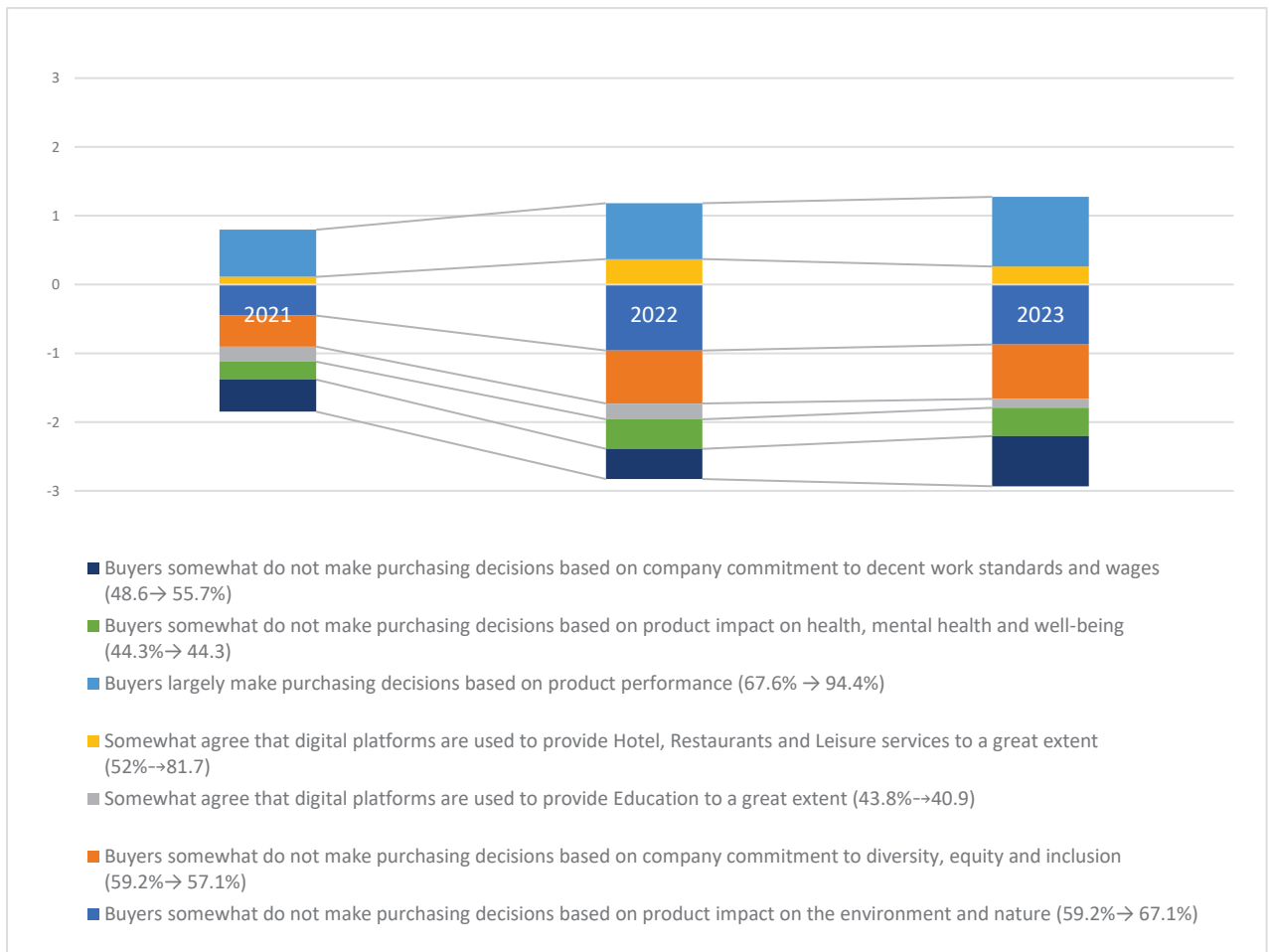
## 9. Driver: ‘Research & Technology’

The driver ‘research and technology’ contributes to strengthening the pillar ‘innovativeness’ through research, innovation, and ICT capital. The pillar of ‘inclusiveness’ is impacted through distribution and access to technology and research. In the case of the ‘sustainability’ pillar the driver ‘research and technology’ impacts through green patents, research and technology. Besides, the pillar ‘resilience’ is impacted through cybersecurity and tech supply diversification. Hence, the nature and extent of the impact of ‘research and technology’ on different pillars are different.

### 9.1 Performance of ‘Research & Technology’ during the Last Six Years (2018-2023)

Most of the key indicators under research and technology exhibited a declining trend over the last three years (Figure 34). A little increase in the use of digital platforms for providing hotels, restaurants and leisure services was observed. Product performance exhibited an increasing influence on buyers’ purchasing decisions. Buyers have been hardly making purchasing decisions based on the product’s impact on health, mental health and well-being and the environment and nature as well as the company’s commitment to decent work standards and wages and to diversity, equity and inclusion. Digital platforms have not much been used to provide education. However, the scenario seems to be slightly improving.

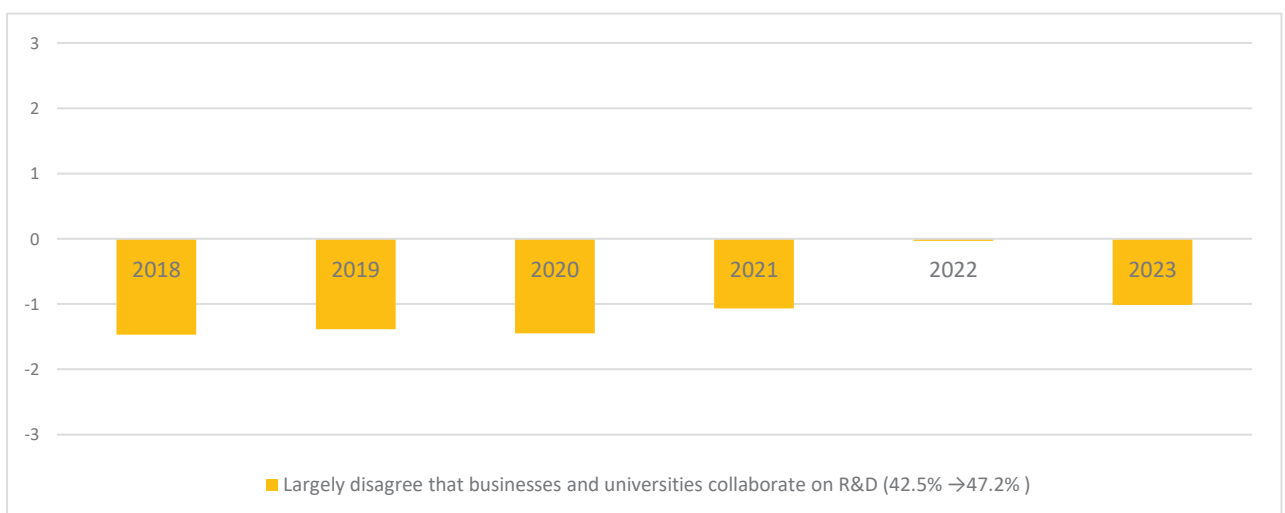
**Figure 34: Performance of 'Research & Technology' during the Last Three Years (2021-2023)**



Source: CPD EOS 2023.

The business executives indicated that businesses and universities have not been collaborating on R&D over the last six years (Figure 35). However, the magnitude of negativity exhibits a decreasing trend.

**Figure 35: Trends in Collaboration Between Businesses and Universities**



Source: CPD EOS 2023.

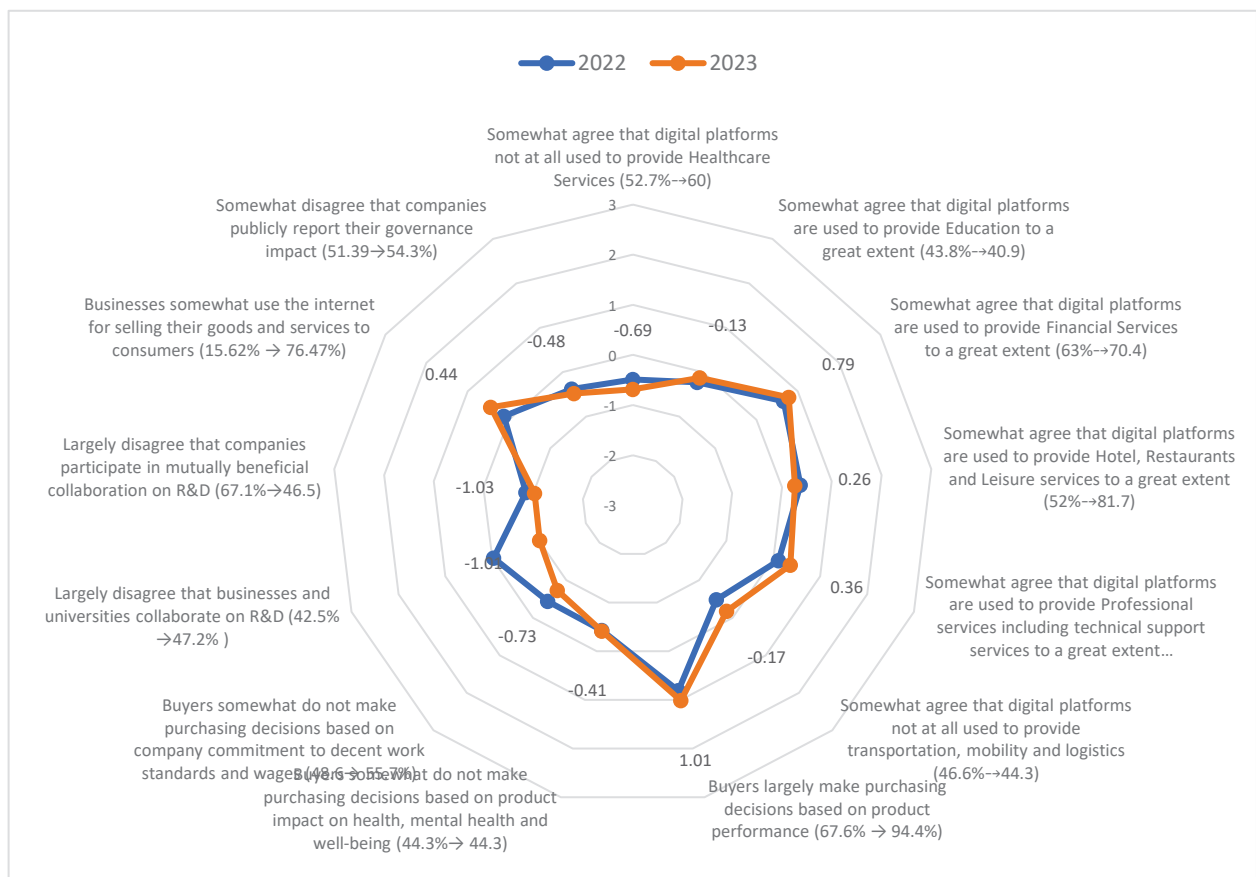


## 9.2 Research & Technology for Ensuring 'Innovativeness'

The use of digital platforms showed similar trends in 2023 as in 2022 (Figure 36). The business executives somewhat agree that the following services can be received through the digital platforms: Financial services (0.79; 70.4 per cent), Hotel, Restaurants and Leisure services (0.26; 81.7 per cent), Professional services including technical support services (0.36; 81.7 per cent). However, the respondents somewhat agree that digital platforms are still not used to provide the following services: Education (-0.13; 40.9 per cent), Healthcare Services (-0.69; 60 per cent), Transportation, mobility, and logistics (-0.17; 44.3 per cent).

It was observed that other than price, buyers do not consider any factors other than product quality. Apart from price, buyers make purchasing decisions largely based on product performance (-0.41; 94.4 per cent). However, buyers do not consider product impact on health, mental health, and well-being (-0.17; 44.3 per cent) and company commitment to decent work standards and wages (-0.73; 55.7 per cent) while making purchasing decisions.

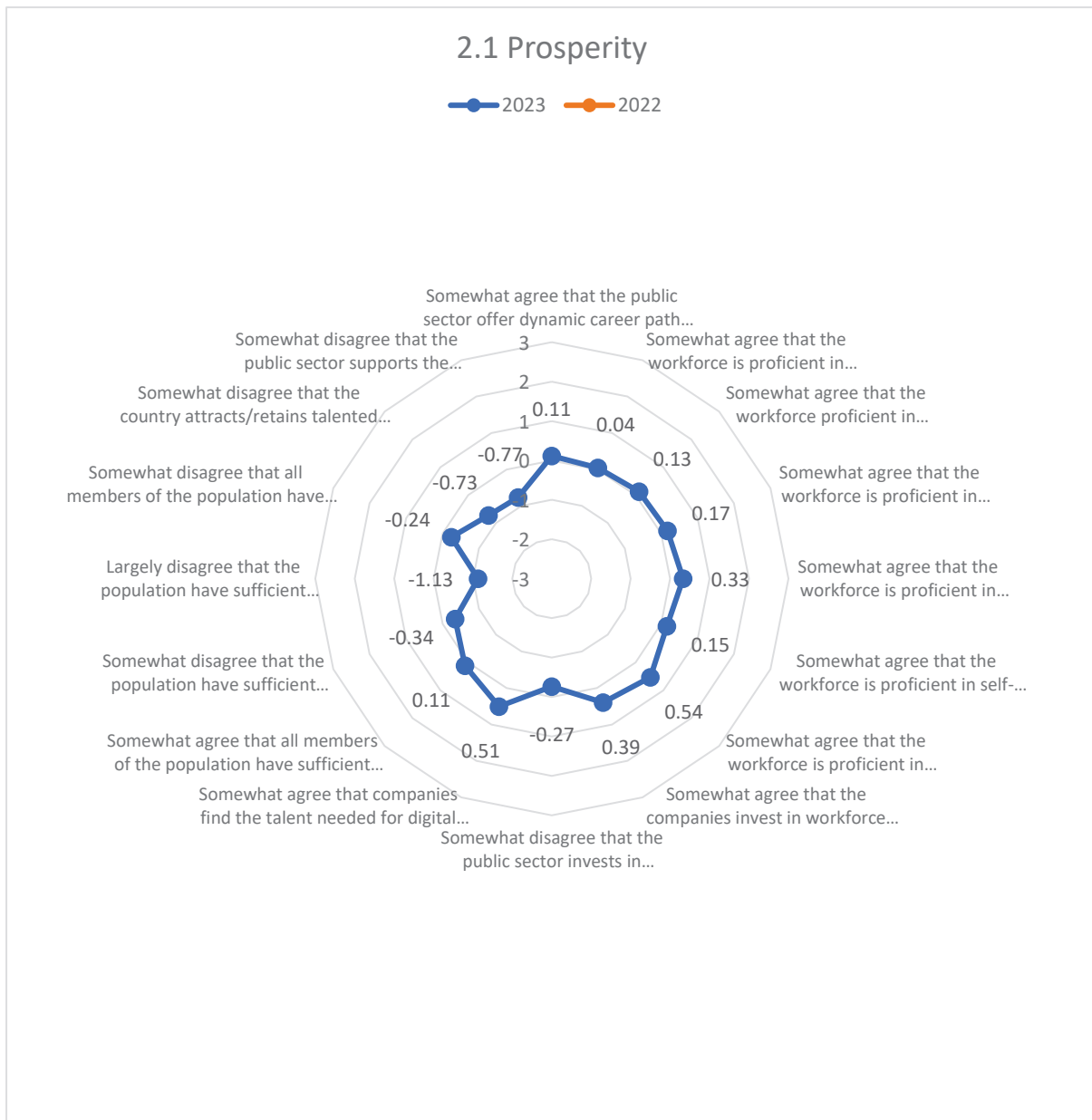
**Figure 36: Research & Technology for Ensuring Innovativeness**



Source: CPD EOS 2023.

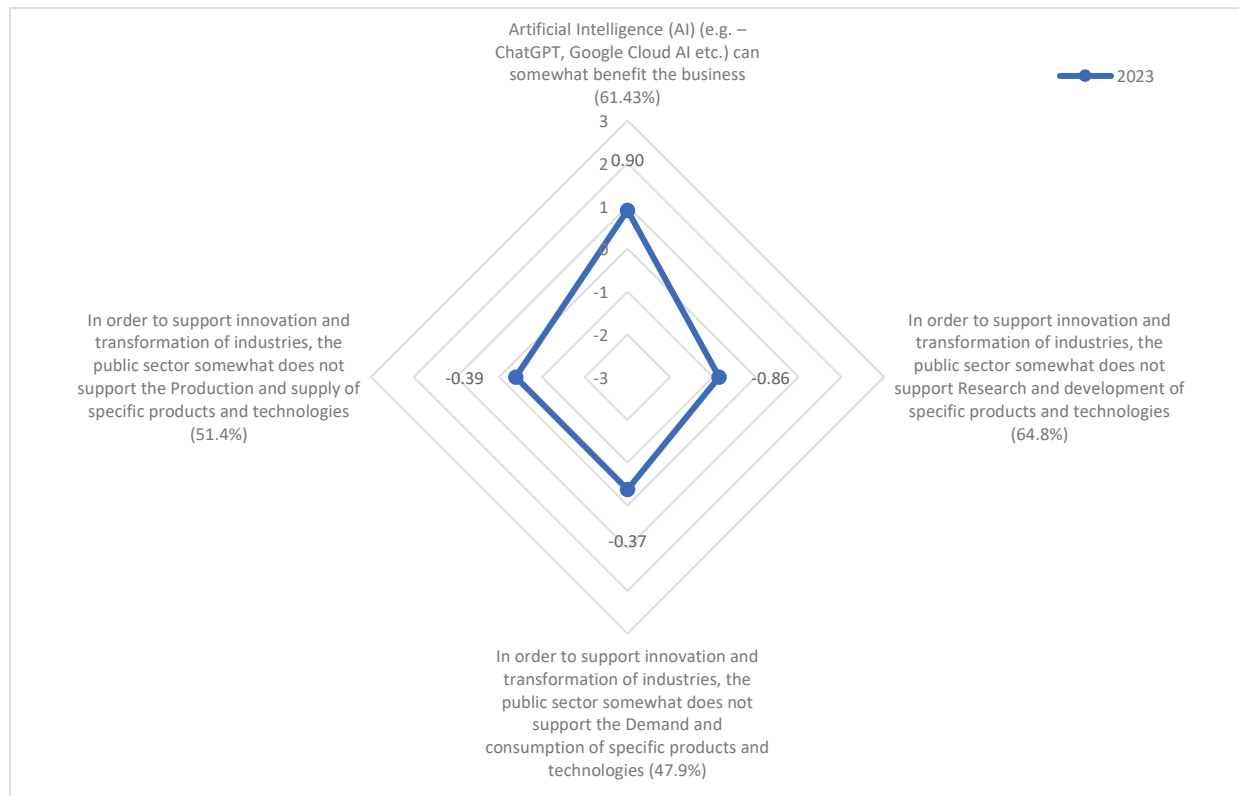
Figures 37 and 38 present the performance of Bangladesh in a digital system. About 76.47 per cent of businesspeople somewhat agreed that businesses use the Internet for selling their goods and services to consumers (0.44). The perception regarding R&D collaboration considerably degraded from that of 2022. Around 47.2 per cent of the executives largely disagreed that businesses and universities collaborate on R&D (-1.01). 46.5 per cent largely disagreed that companies participate in mutually beneficial collaboration on R&D (-1.03).

**Figure 37: Research & Technology for Ensuring 'Innovativeness' (2)**



Source: CPD EOS & RAS 2023.

**Figure 38: Research & Technology for Ensuring ‘Innovativeness’ (3)**



Source: CPD RAS & EOS 2023.

Research and Development (R&D) activity in the key technologies is not advanced according to the business executives. For instance: Advanced computing technologies (-0.6; 53.6 per cent), Energy generation, storage and distribution (-0.93; 67.1 per cent), Information processing (AI, big data, VR and AR) (-0.93; 63.2 per cent), and new materials and composites (-0.87; 63.8 per cent).

The R&D activity in some technologies is largely not advanced, such as Biotechnology and gene technologies (-1.08; 45.5 per cent), Robots and autonomous systems (-1.23; 46.4 per cent), Quantum and encryption (-1.58; 62.5 per cent), Satellites and space technologies (-1.52; 58 per cent), and Sensing, laser and optical technologies (-1.46; 62.7 per cent).

It was observed that the adoption of different technologies is not very common. The observers indicated that the adoption of advanced computing technologies (0.3; 83.1 per cent) and information processing (AI, big data, VR and AR) (0.9; 60 per cent) is somewhat common.

However, the adoption of some key technologies is somewhat not common. These include biotechnology and gene technologies (-0.93; 69 per cent), energy generation, storage and distribution are somewhat not common (-0.25; 47.9 per cent), new materials and composites are somewhat not common (-0.39; 63.8 per cent), sensing, laser and optical technologies are somewhat not common (-0.94; 61.4 per cent), satellites and space technologies (-0.99; 68.6 per cent).

Adoption of the following technologies is largely uncommon. Robots and autonomous systems (-1.13; 50 per cent), and quantum and encryption (-1.49; 65.7 per cent). Some 61.43 per cent of observers opined that artificial intelligence (AI) can somewhat benefit the business (0.9).

To support innovation and transformation of industries, the public sector is somewhat unsupportive of the following aspects: research and development of specific products and technologies (64.8 per

cent), demand and consumption of specific products and technologies (47.9 per cent), production and supply of specific products and technologies (51.4 per cent).

### 9.3 Research & Technology for 'Inclusiveness'

About 53 per cent of executives still somewhat agree that companies do not publicly report their social impact (-0.46) (Figure 39). Like in 2022, it was observed by 57.1 per cent of the respondents said the buyers do not make purchasing decisions based on company commitment to diversity, equity and inclusion (-0.79)

**Figure 39: Research & Technology for Ensuring 'Inclusiveness'**

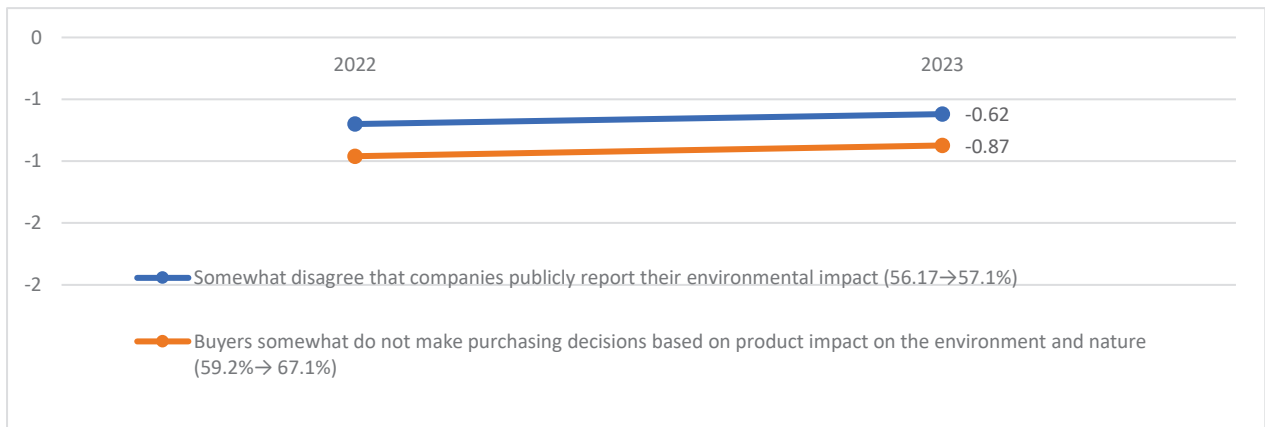


Source: CPD EOS 2023.

### 9.4 Research & Technology for 'Sustainability'

About 57 per cent of respondents somewhat agreed that companies still do not publicly report their environmental impact (-0.62) (Figure 39). Some 67.1 per cent of observers indicated that buyers do not make purchasing decisions based on product impact on the environment and nature (-0.87).

**Figure 40: Research & Technology for 'Sustainability'**



Source: CPD EOS 2023.

## 10. Conclusion

The business environment in Bangladesh has experienced a mix of progress, stagnation, and challenges across various sectors in recent years, particularly in the post-pandemic period. Bangladesh has demonstrated considerable progress in infrastructural development, specifically in roads and transportation in 2023. The air transport system has notably improved. Innovativeness-related physical resources, particularly digital infrastructure facilities, have shown positive trends. There has been increased use of digital platforms for professional services, including hotel, restaurant, leisure, and financial services.

Corruption has been a persistent issue in the country in recent years. The government needs to strengthen the institutional mechanisms to combat corruption. Bribes or undocumented extra payments remain common in various sectors, raising concerns. To address this issue and ensure smooth transactions, it is crucial to develop and promote easily accessible digital payment systems. Strengthening anti-corruption measures could improve public trust and attract investment. The new government, based on its election manifesto, should disclose its strategies for how its different ministries and departments will address the corruption in public procurement, registration, licensing, permissions, and official orders.

For business owners, government bureaucracy and instability in foreign currency have been two emerging issues. The government should now focus on attracting Foreign Direct Investments (FDIs), increasing export competitiveness, and channelling inward remittance flow through formal channels by adopting a market-based exchange rate policy. The ongoing dollar crisis has negatively affected many business indicators including international transactions, posing a significant concern for external trade and investment. To restore the macroeconomic stability disrupted in the last few years, a nuanced monetary policy with the support of the fiscal policy aimed at controlling inflation and increasing the dollar supply is urgent.

The financial sector indicators have been persistently negative in recent years, with challenges in obtaining equity funding and access to finance for SMEs. There is also a generally negative perception of innovativeness in the financial sector, with concerns about money laundering and weak financial auditing and reporting standards. The new government based on its election manifesto, should disclose its strategies on how it will address the governance-related challenges in the boards and managements of the private and public commercial banks.

The macroeconomic stability was perceived to be under pressure. Although larger businesses are recovering from the production shock of the pandemic, more than one-third of small-scale businesses continue to experience a decline in production. The government should extend its support to SMEs by easing access to finance and customising fiscal instruments such as tax breaks and subsidies for specific sectors impacted by the pandemic. Furthermore, the government should implement loan guarantee schemes with lower collateral requirements and easier application processes for SMEs.

The economy is at high risk of energy supply shortage, high inflation, slow economic growth, unemployment and huge public debt. The government, based on its election manifesto, should disclose its strategy on how it will address the challenges through concerned ministries and departments.

There has been a declining trend in several key indicators under research and technology, with limited collaboration between businesses and universities in R&D. The adoption of key technologies like AI, biotechnology, robots, quantum encryption, and space technologies has been limited. To foster digital literacy, policies such as providing affordable access to technology and training for SMEs to leverage e-commerce and online platforms should be implemented. Furthermore, creating research and development hubs to incentivise collaborative projects between universities and businesses is needed.

Improvements in human empowerment include increased opportunities for personal economic improvement and higher satisfaction with employee skills. The most demanding skills in the job market currently are critical thinking and problem-solving skills. Equipping graduates with relevant skills for in-demand sectors is important to utilise their potential.

The primary, secondary, and tertiary education systems have not fully met the needs of a competitive economy, despite some improvements in vocational education. The government should team up with private entities to train the teachers to adapt to the new reforms in the educational system.

Both public and private sectors showed limited inclusiveness, especially for people with disabilities and the LGBTI community. Companies have not adequately reported their environmental impact, and there is a lack of emphasis on sustainability in business practices. To promote inclusivity, the government should incentivise corporate social responsibility programmes focused on education, healthcare, and environmental protection in vulnerable communities.

The milestones set by the new government for the next five years (2024–2028) are as follows:

**Good governance:** The practice of transparency, accountability and good governance in state management

**Rule of law:** Effective human rights commission, independence and dignity of the judiciary

**Freedom of media:** Safeguarding individual privacy and data, measures to prevent misuse

**Welfare-oriented, accountable and smart administration:** Corruption-free, IT-based, welfare-oriented administration, eradicate bureaucratic complexities and all forms of harassment

**People-friendly law enforcement agencies:** People-friendly law enforcement forces

**Adoption of zero-tolerance policy against corruption:** Strict measures to eradicate illegal wealth acquisition, bribery, abuse of power, nepotism, transparency and accountability in project selection, cost determination, quality audit

**Local government:** Enhancing water supply and sewage system, waste management, establishing safe water resources, decentralization of power and autonomy of municipalities

**Economics:** Action plan for youth employment, strengthen trade agreements, policy support to access markets for agricultural products

**Money supply and banking:** Extend loans to employable and trained youths, access to loans for SMEs, reform in bank management, enforcement of laws to recover defaulted loans

**Investment and development:** Simplification of regulations and procedural complications for FDI, transparency and accountability in project selection, costing, quality, audits and procurement

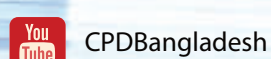
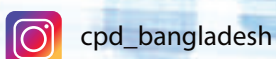
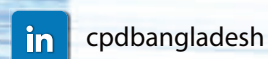
**Enhancing efficiency and capacity of the financial sector:** Controlling borrowing opportunities by rescheduling defaulted loans, preventing under-handover-invoicing, countering money laundering

**Power and energy:** Uninterrupted and quality power supply, retirement of rental and inefficient power plants, upgrading to smart grid, increased number of transmission lines

The new government should set a ten-point action agenda to translate the political commitments into operational commitments.

1. All public offices should immediately announce their 100-day, one-year, three-year and five-year plan of action based on their political commitments. These announcements should be made public and readily available on their official websites.
2. All action plans should be outcome-oriented, time-specific, and entail proper delegation of responsibilities. These plans should be structured in a way that allows for effective monitoring of progress.
3. The government should take the initiative to set up an independent office of the Ombudsman/Ombudsperson with proper legal, institutional and operational responsibilities and facilities.
4. All public offices should introduce an office of the Ombudsman/Ombudsperson to address governance-related issues. Moreover, the financial sector should introduce a dedicated office for the Banking Ombudsman. Similar offices should be considered for roles such as Securities Ombudsman, Tax Ombudsman, Law Enforcement Ombudsman, Trade Ombudsman, etc.
5. An integrated financial and transaction system should be introduced consolidating all kinds of financial and banking operations between banks, Non-Bank Financial Institutions (NBFIs), stock exchanges, foreign exchange dealers, and land and other asset-related offices.
6. The public procurement system should be thoroughly revised both at pre-procurement and post-procurement levels. This entails revising the existing e-procurement system, harmonizing it with international standards, engaging citizens in all public procurements, and involving citizens in project implementation.
7. Short-term commissions for banking, stock market and financial sector reforms should be set up. The recommendations put forth by these commissions should serve as the basis for implementing necessary measures.
8. An office for regulatory, institutional and operational reforms should be created to address the operational challenges faced by businesses.
9. Public offices that have a role in market competition, including the Competition Commission, Securities and Exchange Commission, Financial Reporting Commission, Financial Integrity and Customer Services Department, Financial Intelligence Unit, etc., should be strengthened.
10. There should be reforms in laws, rules and regulations related to public services, resource mobilisation, and repeal of anti-competitive acts.

In a world grappling with the aftermath of the pandemic and geopolitical turmoil, Bangladesh is navigating through a critical phase in its economic trajectory. The Bangladesh Business Environment 2023 study, conducted by the Centre for Policy Dialogue (CPD) in partnership with the World Economic Forum, examines the key challenges and opportunities shaping the nation's business environment. Drawing insights from the Executive Opinion Survey 2023 and Rapid Assessment Survey 2023, the report evaluates Bangladesh's performance in five essential pillars: growth, innovativeness, inclusiveness, sustainability, and resilience. It identifies factors hindering progress and highlights areas where strategic interventions can unlock transformative potential.



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